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FISCAL YEAR 1983 SUPPLEMENTAL REQUEST FOR DEPARTMENT OF DEFENSE

HEARING

BEFORE THE

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

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FISCAL YEAR 1983 SUPPLEMENTAL REQUEST FOR DEPARTMENT OF DEFENSE

WEDNESDAY, MAY 4, 1983

U.S. SENATE,
SUBCOMMITTEE ON DEFENSE,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:15 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens, Garn, Kasten, Rudman, Specter, and Stennis.

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF DEFENSE

SUPPLEMENTAL REQUEST

Senator STEVENS. Good afternoon, Mr. Secretary.

This is the time suggested to review the various supplemental appropriation requests this subcommittee has received from the Department of Defense.

The major request involves $478.6 million to continue production of the Pershing II intermediate-range missile.

There are also NATO-oriented requests involving wartime host nation support, POMCUS funding and removal of restrictive language which has been applied to the purchase of foreign speciality metals.

Finally, there is also a request for authority to enter into multiyear contracts in connection with the production of the B-1B strategic bomber.

I think it would be best if we take these up in that order, Mr. Secretary.

We welcome you here. We have your printed statement which we will place in full in the record. You can handle that any way you wish.

Let me inquire. It would be my feeling it would be best that we go through your statement. I know you have been coming up on the Hill often, so we would excuse you and go into some of the details with your colleagues unless you want us to address all the questions to you now. We will be happy to do that.

Secretary WEINBERGER. My colleagues and I will try to serve you well. I will be glad to stay as long as you wish. I appreciate having my full statement in the record. I have a summary that I can present in 5 or 10 minutes and then take whatever questions you would like to direct. Whatever you wish.

Senator STEVENS. Take all the time you need. These are very important items. The country has a right to know what is behind them.

ISSUES REGARDING NATO ALLIANCE

Secretary WEINBERGER. Mr. Chairman and members of the committee, I greatly appreciate your promptness in scheduling this hearing on the 1983 supplemental appropriations request. As you said, sir, the issues we face are urgent, both to the United States and to the entire Western alliance.

Several provisions of current legislation seriously impede our NATO programs and could undermine our commitments to a strong cohesive Atlantic alliance.

Because these issues are so vital, we are asking the Congress to reconsider four items in the fiscal year 1983 continuing resolution, funding for the Pershing II, wartime host nation support, POMCUS, the pre-positioned supplies for our divisions and, as you said, the restrictions on speciality metals procurement.

We began each of these programs many years ago after consultation with the allies and after winning their support. We have made encouraging progress. The problem now is are we going to be able to continue with that progress.

The current legislative restrictions in all four areas imposed last year, have raised some questions of the credibility of the U.S. leadership role and our commitment in the Atlantic alliance. The most important and most pressing of these issues is the need for the appropriation of funds for the procurement of Pershing II missiles.

If we don't restore production funding within the next 3 weeks, we will face very serious consequences which undermine prospects for success in the ongoing arms reduction talks and risk weakening our deterrence in the face of the continuing Soviet buildup of the SS-20 missile.

COUNTER TO SOVIET SS-20

As you know, there is no direct counter to the SS-20, and our ground-launched cruise missiles. The Pershing II would constitute that first counter.

The subcommittee has supported NATO's 1979 decision to modernize the intermediate-range forces for many years. The committee also has supported the other half of the NATO decision which is seeking a significant and verifiable arms reductions agreement with the Soviet Union.

LACK OF FUNDING FOR PERSHING II

The lack of 1983 procurement funding for the Pershing II would, we fear, jeopardize those vital goals. Production funds for fiscal year 1982 and the $30 million appropriated in the fiscal year 1983

continuing resolution are indeed sufficient to insure that the first Pershing II deployments take place on schedule. However, these moneys that are available will not cover the planned production in fiscal year 1983. We have examined the possibility of reallocating funds from other major systems to keep the Pershing II in production. But that would seriously damage the entire Army missile program and lead to additional costs in other programs, undermining our overall defense objectives.

Terminating the fiscal year 1983 Pershing II production contract would lead to an increase in logistical support time and costs involved in the changeover from Pershing Ia to Pershing II. In addition, fiscal year 1983 production termination costs would be approximately $150 million and the total growth in program cost would be significantly higher, in excess of $300 million. It would mean a gap of up to 19 months in follow-on developments. Such a gap would be perceived by the Soviet Union and opponents of NATO's plans within western European societies as a sign of weakening of United States and alliance resolve.

There is no justification for our incurring the political and fiscal liabilities of a continued delay in fiscal year 1983 procurement funding for the Pershing II. We would not gain anything by doing that and we would lose a great deal. I fully respect the sincerity of the concerns and worries expressed by Members of the Congress and reflected in the continuing resolution conference report last year.

Since the passage of the continuing resolution last December there have been seven further tests of the Pershing II system at both long and short range. The most recent one was this past weekend. All these tests have achieved their primary objectives, and this recent record of highly successful testing has clearly confirmed that the program is technically sound and that we will deploy a fully operational system.

The subcommittee did agree last December that we could request Pershing II procurement funds after successful flight testing. I strongly urge you to support our request for supplemental fiscal year 1983 appropriations in the amount of $478.6 million for Pershing II procurement.

By acting promptly we can save the taxpayers a great deal of money that we know we will have to spend sometime because we will have to have this missile. It is essential that we not interfere with either the arms reduction talks or the deployment that can maintain our credible deterrent.

WARTIME HOST NATION SUPPORT

There are other issues that we mentioned at the beginning. They are not quite as time urgent, but their effect on the strength of the alliance is very important. Our supplemental budget submission includes a request for $9.67 million to pay the U.S. portion of the 1983 costs required to implement the wartime host nation support [WHNS] agreement concluded in 1982 with the Federal Republic of Germany.

At the core of this issue lie both the credibility of the U.S. commitment within NATO to the rapid and effective reinforcement of

Europe and continued progress in our efforts to share out more equitably the burdens of the common defense. These are funds that would pay the U.S. share of costs involved in implementation of the program in 1983.

Approximately 93,000 men from the Federal Republic of Germany would form new units in the Bundeswehr reserve, which on mobilization, would be dedicated personnel to the wartime logistics support of U. S. Army and Air Force combat units forward deployed in Germany and those coming in as reinforcements.

That would save us significant manpower and significant costs. The type of support to be provided by German reserve units includes security of U.S. installations, and air field damage repair. They would transport material and fuel, evacuation of casualties, if any, handling of prisoners of war and nuclear, biological, chemical decontamination if that should be necessary.

All this means that vital tasks in wartime could be done for a great deal less if we use the 93,000 men that the German Government has offered. Germany also will provide a substantial amount of civilian support.

Under the agreement's cost-sharing formula, Germany will pay slightly over half of the total cost over the 5-year implementation period through 1987. Thereafter, the Federal Republic will assume about 60 percent of the long-term annual recurring cost of the program. The Germans have already appropriated $18 million for 1983, but unless they know by the end of this month whether our funding will be available for fiscal year 1983, they will have to forego creating any new units in 1983. Therefore, we would lose the opportunity to have this very cost-effective improvement in our whole logistical train.

Wartime host nation support is in no sense a foreign aid program. It directly supports U.S. troops, and enhances U.S. combat effectivenss and readiness and illustrates the value of cooperation between sovereign allies.

POMCUS

Another program we have raised is POMCUS, that is pre-positioned material configured to unit sets. Completion of divisions 5 and 6 sets is essential if we are to meet our 10-day, 10-division reinforcement commitment to NATO's defense.

The supplemental seeks authority to proceed with the program requests for $5 million to cover operations and maintenance costs in 1983. Our allies have done their part to facilitate and support U.S. plans. Belgium and the Netherlands have spent more than $50 million to acquire the land for storage facilities in their very densely populated countries where land is at a premium.

All the allies, through the NATO infrastructure fund, are contributing to the more than $180 million to pay construction costs of the two sites. It will make rapid reinforcement of NATO a great deal less costly and more timely, and will remove the need for a great deal of shipping and airlift.

If we change our minds, and fail to utilize these storage facilities provided by the Allies at our request, we would constitute a signifi-

cant disincentive to future allied agreement on new burdensharing proposals. So, we urge that this request be approved.

We would also like to ask you to pay particular attention to the very important political, economic, and security issue, the final one in our supplemental request which is the question of existing restrictions on DOD procurement of specialty metals. The very narrow exception that enables us to purchase metals abroad for weapons or weapons systems is inadequate to cover weapons systems components and general defense items.

These are the products that the NATO allies and other free world partners are able to sell to us to offset their purchases of major armaments and weapons systems from the United States.

This prohibition against the purchase of raw stocks of metals has an adverse effect on Canada, a NATO ally which is also part of the U.S. defense industrial base. It also means that we are not doing what the NATO alliance sees as essential, and that is following a "two-way street" in defense industrial cooperation.

Current legislative restrictions have disrupted allied defense procurement from the United States. The West German Parliament has indicated that it will not fund major defense purchases from the United States while the specialty metals provision remains in effect.

If our European allies turn away from U.S. sources of supply, then the overall cost in defense contracts lost to the United States and in lost employment to U.S. industry would far outweigh any small potential benefit to the specialty metals industry. We are only talking about approximately $5 million of lost revenue here, in a very much larger industry.

As I noted at the outset, the underlying concept in all of these issues is one of cooperative effort with our allies in pursuit of shared national security interests. We ask again for favorable congressional action as early as possible, so that we can proceed with necessary programs and hold down ultimate costs to the United States.

Thank you very much.

[The statement of Secretary Weinberger is as follows:]

PREPARED STATEMENT OF CASPAR WEINBERGER

SECRETARY OF DEFENSE

Mr. Chairman, Distinguished Members of the Subcommittee:

I greatly appreciate the invitation of this Subcommittee to testify on behalf of the Department of Defense's FY 1983 Supplemental Appropriations Request. The issues we face are urgent, both to the United States and to the entire Western Alliance. I welcome the opportunity to meet with you and to underscore to this key Subcommittee the importance of favorable Congressional action in the areas addressed in our request.

Several provisions of current legislation seriously impede our NATO programs and undermine our commitments to a strong and cohesive Atlantic Alliance. Only prompt legislative remedies will enable us to take action to preserve our vital national interests.

Because these issues are so vital, we are asking the Congress to reconsider four items in the FY 1983 Continuing Resolution -- Pershing II, Wartime Host Nation Support, POMCUS, and Specialty Metals procurement. Current restrictions in all four areas raise questions of the credibility of the U.S. leadership role in the Atlantic Alliance. In an era of unprecedented challenge to the Alliance by the Soviet Union, the Free World's major power must set an example of steadfastness in following through on serious undertakings with its partners.

The most important and most pressing of these issues is the need for appropriation of funds for the procurement of Pershing II missiles.

This Subcommittee has, I know, made clear its support for NATO's 1979 decision to modernize the Alliance's intermediate-range nuclear forces with U.S. deployments in Europe of Pershing II (PII) and ground launched cruise missiles (GLCMs), while seeking at the same time a significant and verifiable arms control agreement with the Soviet Union. The lack of FY 1983 procurement funding for the Pershing II is, however, now running a serious risk of delaying the NATO deployment schedule and of undermining prospects for success in the ongoing INF arms reduction talks.

While FY 1982 production funds and the $30 million appropriated in the FY 1983 Continuing Resolution are sufficient to ensure that the first PII deployments take place on schedule, these monies will not cover the planned production in FY 1983. Reallocation of funds from other major systems to make up the Pershing II shortfall would do grave damage to other important Army missile programs and undermine our overall defense objectives.

Termination of the FY 1983 Pershing II production contract would mean a gap of up to 19 months in follow-on deployments. Such a gap would be perceived both by the Soviet Union and by opponents of NATO's plans within Western European societies as a weakening of U.S. and Alliance resolve. It would reduce the incentive for serious Soviet negotiation, encourage INF opponents to greater disruptive efforts and further complicate the poli-

tically delicate task of the Governments on whose soil deployments are to take place.

Termination of the contract and the consequent deployment gap would also mean an increase in logistical support time and costs involved in the changeover from Pershing Ia to Pershing II. In addition, FY 1983 production termination costs would be approximately $150 million and the total growth in program cost would be significantly higher.

There is, in my view, no justification for our incurring the political and fiscal liabilities of a continued delay in FY 1983 procurement funding for the Pershing II. I fully respect the sincerity of the concerns expressed by Members of the Congress and reflected in the Continuing Resolution Conference Report last year with respect to technical aspects of the program. It is my hope and my belief, however, that these concerns have now been met.

Since the passage of the Continuing Resolution last December there have been seven further tests of the Pershing II system at both long and short range. All of these tests have achieved their primary objectives, and all but one have fully achieved secondary objectives. This recent record of highly successful testing has clearly confirmed that the program is technically sound and that we will deploy a fully operational system.

I strongly urge this Subcommittee to take early and favorable action on our request for supplemental FY 1983 appropriations in the amount of $478.6 million for Pershing II procurement. In doing so, you will be providing a concrete demonstration of U.S. determination to meet the political and military challenges posed by the unprecedented Soviet INF buildup, and you will help to ensure the successful implementation of NATO's landmark INF modernization and arms control decision.

The second issue I would like to discuss is funding for the Wartime Host Nation Support (WHNS) Agreement concluded in 1982 with the Federal Republic of Germany. Our Supplemental Budget Submission includes a request for $9.67 million to pay the U.S. portion of the 1983 costs required to implement the accord.

At the core of this issue lie both the credibility of the U.S. commitment within NATO to the rapid and effective reinforcement of Europe and continued progress in our efforts to share out more equitably the burdens of the common defense. In this precedent-setting bilateral agreement, the Federal Republic has undertaken to create new units in the Bundeswehr Reserve, representing approximately 93,000 men and, upon mobilization, to dedicate these personnel to the wartime logistics support of U.S. Army and Air Force combat units forward deployed in Germany and those coming in as reinforcements. The type of support to be provided by the German reserve units includes security of U.S. installations, airfield damage repair, transport and transshipment of materiel and fuel, evacuation of casualties, handling of prisoners of war and nuclear-biological-chemical decontamination. In addition, the agreement covers a substantial amount of support from the German civilian sector.

Under the agreement's cost-sharing formula, Germany will pay slightly over half of the estimated $580 million (FY 1983 dollars) cost over the 1983-1987 implementation period. Thereafter, the Federal Republic will assume about 60 percent of the long term annual recurring costs of the program. The

U.S. share includes annual operating costs and the procurement of the limited types of equipment not available from the German civilian sector in wartime. The U.S. will retain title to any equipment procured with U.S. funding.

Prompt action giving us authority to initiate the program is needed. The Germans have already appropriated some $18 million for 1983, but they have indicated they must know soon if the Department of Defense will have its funding available for FY 1983. If not, it will be necessary to delay the scheduled 1983 unit activations to 1984. Moreover, the Germans are hoping for some indication by early September that the U.S. will have funds available in FY 1984.

The Wartime Host Nation Support Agreement was negotiated for the benefit, and at the urging, of the United States. Within the framework of the Long Term Defense Program (LTDP), adopted by the NATO Heads of State and Government in 1978, the United States made a commitment to provide a ten-division D-Day force if the allies would provide increased levels of support to facilitate and complement U.S. efforts. The WHNS agreement is Germany's principal contribution in this joint undertaking. Its prompt and effective implementation on the U.S. side simply makes good sense:

-- It provides wartime logistics support which will be critically needed in view of our own shortfalls in airlift, sealift and support resources.

-- It is extremely cost-effective. It would cost the U.S. ten times more to provide similar capability with U.S. reserves and forty times more to do so with active units--excluding calculations for additional strategic airlift.

-- The cost-sharing arrangement represents a step toward German assumption of a greater share of the NATO defense burden, and it will set a precedent to encourage greater contributions by other allies.

This is in no sense a "foreign aid" program. It is for the direct support of U.S. troops and U.S. combat effectiveness, and is in the best spirit of cooperation between sovereign allies. It will enhance the sense of common purpose and the conventional deterrence capability of the Alliance.

I urge prompt Subcommittee approval of our request for supplemental funding.

The program to store in European sites prepositioned materiel configured to unit sets (POMCUS) for Divisions 5 and 6 of our pledged wartime reinforcements is, like the WHNS Agreement, a concrete example of significant burdensharing within NATO and reflects a positive allied response to the U.S. ten-division D-day commitment. Our FY 1983 Supplemental submission requests authority to proceed with this program and the appropriation of $5 million for FY 1983 to cover operations and maintenance and transport costs, associated with these division sets. Prompt action on this request is essential.

Again, our allies have done their part to facilitate and support U.S. plans: Belgium and the Netherlands have spent more than $50 million to acquire the land for storage facilities in their densely populated countries. All the allies, through the NATO Infrastructure Fund, are contributing to the more than $180 million construction cost of the two sites.

The POMCUS 5 and 6 program will meet two very important objectives:

-- It will strengthen deterrence by providing another tangible symbol of U.S. -- and allied -- resolve.

-- It is the least costly and, in the near term, the only feasible way to meet our ten-division D-Day commitment. Even procurement of additional fast sealift could not deliver the equipment for Divisions 5 and 6 in time.

U.S. failure to follow through on its undertaking to utilize these storage facilities, provided by the Allies at our request, would constitute a significant disincentive to future allied agreement on new burdensharing proposals.

I urge that this Subcommittee approve both the removal of the prohibition on POMCUS 5 and 6 funding in the General Provisions of the current legislation and the appropriation of the requested $5 million needed for program implementation in what remains of FY 1983.

I come now to a particularly thorny issue, in which political, security and economic interests are intermeshed.

The restrictions existing in the FY 1983 Continuing Resolution with respect to Department of Defense procurement of Specialty Metals threaten to disrupt longstanding defense trade relationships that have furthered our security objectives and operated to the net benefit of U.S. industry.

The present narrow exception for "weapons or weapons systems" is inadequate to cover weapons systems components and general defense items. These are the products which our NATO allies and other free world partners must sell to us to offset their purchases of major armaments and systems from the United States. Also prohibited is procurement of Specialty Metals raw and bar stocks, which has a particularly adverse effect on Canada, a NATO ally which is also part of the U.S. defense industrial base.

Allied governments have made known to us their serious concern over what they see as a U.S. return to a protectionist stance. They fear that the professed goal of the "two way street" in defense industrial cooperation is now becoming even more elusive. Our allies have generally accepted our requirement to establish domestic production sources for major systems and subsystems. Thus, even in cooperative programs, allied industry's access to the U.S. defense market is perforce limited. This increases allied sensitivity to added restrictions and barriers.

Many allied officials have stressed that the current U.S. legislative provisions on Specialty Metals will prevent them from proceeding with planned defense procurements from the United States. The West German Parliament has indicated that it will not fund major defense purchases from the United States while this type of "Buy American" restriction continues.

This strong political reaction from our friends and allies cannot be taken lightly. There is a significant move to turn inward and away from United States sources of supply. Such a trend would erode the historical defense trade balance with our NATO partners which has run better than six to one in our favor for the past thirty years. Its overall cost in defense contracts and employment lost to U.S. industry would far outweigh any potential benefit to one sector.

I hope that a thorough reexamination of all the relevant considerations will lead this Subcommittee to agree with the Administration that corrective legislation is needed promptly to broaden the exceptions to the Specialty Metals restrictions so that we may fulfill existing obligations, engage in effective arms cooperation with allies and avoid serious damage to the United States' overall trade position in the defense field.

Mr. Chairman, Members of the Subcommittee:

Our FY 1983 Supplemental Request is not long. Nor is it, in perspective, expensive. The most significant item in terms of budget implications -- as in terms of political impact -- is the requested appropriation for Pershing II procurement. And the Pershing II program is an essential component of an initiative which has become the symbol and the test of NATO's determination and resolve. As I noted at the outset, the unifying thread in all these issues is one of cooperative effort with our allies in pursuit of shared national security interests.

I ask this Subcommittee for its support and assistance in ensuring timely and favorable Congressional action on each of these legislative items.

INTRODUCTION OF WITNESSES

Senator STEVENS. Thank you very much, Mr. Secretary.

Gentlemen, we do have the Deputy Assistant Secretary of Defense (program integration), Major General O'Connor, Brigadier General Dawkins and Colonel Barthello, plus Colonel Douglass, Under Secretary Ambrose, and on the B-1, the representatives of the research, development and acquisition portion of the Department of Defense.

It is my suggestion that we direct our questions on the policy level to the Secretary first on the Pershing, then on the wartime host nation, on POMCUS, on specialty metals and any other questions we might have so that we can keep the issues together.

Does that meet with your approval?

Let me ask a couple of questions, Mr. Secretary?

PERSHING FULL FLIGHT TESTING

Last year, as you pointed out, we indicated that we believed that the funds for Pershing II for procurement may be requested by reprograming or by budget supplemental following successful completion of full-flight testing.

I argued a little bit about that full-flight testing. I was told that was a phrase of art.

Has Pershing completed full-flight testing?

Secretary WEINBERGER. I don't believe it has completed full-flight testing, sir. We have had seven successful tests. We have had at the very beginning two problems, and that is one of the things that the committee quite properly considered to be a source of some worry and concern.

We have had seven consecutive tests that have been successful. We have other tests planned. Our worry is that we can't really complete full-flight testing unless we get more production funds.

We would have very large costs associated with terminating production. We would have termination costs as well as startup costs, because it is a missile which we know we will need.

Senator STEVENS. I understand that you still have at least two overland flights to conduct in the testing program. Is that right?

Secretary WEINBERGER. I believe that is correct; yes.

Senator STEVENS. That is my understanding.

Secretary WEINBERGER. There are several more tests required before we can say that we have completed full-flight testing.

Senator STEVENS. I was told Alaska was being considered for further testing of the Pershing. I inquired of my own State and I found that that would not be looked on with disfavor as far as the State is concerned.

Now, is that being considered?

Secretary WEINBERGER. I would have to defer to our people who are here on it, particularly Under Secretary Ambrose, to give the planned route of the testing. We have tested it over water, we have tested it over land. That is correct. Alaska has been selected for this test.

Senator STEVENS. I will talk to Secretary Ambrose about the details later.

Senator Stennis, do you have any questions on the Pershing, sir?

Senator STENNIS. Not particularly.

Senator STEVENS. I thought we would go through on Pershing, host nation support, POMCUS and then on specialty metals.

Senator STENNIS. I will pass now. I do have some questions on NATO.

Senator STEVENS. Are there any questions about Pershing?

Senator GARN. Yes, Mr. Chairman.

Senator STEVENS. Senator Garn.

Senator GARN. Thank you, Mr. Chairman.

PERSHING II DEPLOYMENT

First, Mr. Secretary, let me state how emphatically I support your request on a policy basis; if we are to have any success whatever in INF, I do not believe that is possible without the deployment of the Pershing II.

It is my understanding that the funding request for $478.6 million covers the cost of contract obligations you entered into back in October 1982 which was under the authority of the first continuing resolution. Is that correct?

Secretary WEINBERGER. Yes, sir; that is correct.

Senator GARN. So we did give you the authority. Then on the basis of the testing, the second concurrent resolution denied production funds because of that concern over the testing?

Secretary WEINBERGER. Yes.

Senator GARN. So this is not a new request. It is one that was approved originally and then slowed down?

Secretary WEINBERGER. Yes. It allows continuation of a previously approved program.

Senator GARN. Also it is my understanding that if you do not have approval of this funding within the next very short period of time, there could be a delay of up to 19 months in the IOC?

Secretary WEINBERGER. It would indeed. We would have enough funds now to complete the deployment of two batteries, but we would then have to close down the production line, pay the termination costs, and restart the production line. The total cost would be in excess of $350 million. Yes, sir, you are right about the delays, at best, it would be about 19 months.

Senator GARN. Would you agree with my expectation that with that 19-month delay we could not expect any reasonable offer from the Soviet Union at all?

Secretary WEINBERGER. I am sure they would be delighted with that kind of delay, sir, because the Pershing is the one missile system that they seem to fear the most. In all of half proposals, suggestions, and hints, there has not been any formal proposal that we have seen of any serious nature.

But of all of those that have come in and even one or two that the Soviets have designated formally as proposals, they always start with the idea that they, the Soviets, must maintain their monopoly of intermediate-range missiles and the U.S. must not deploy the Pershing.

It is the one thing they do fear and it would be a victory in a sense to them if we would not be able to complete its construction or if any of the nations would decide not to deploy it. They would have won away from the negotiating table what we certainly would not want to agree to at the table.

Senator GARN. They have directed massive public relations efforts, both in Western Europe and here in order to delay or totally eliminate Pershing II.

ADDITIONAL SS-20 DEPLOYMENT

At the same time that we have been negotiating INF for the last 2 years, is it not true that they have deployed more SS-20's in Eastern Europe than they had in place at the time the talks started?

Secretary WEINBERGER. Yes; very much so. And they are still going. Our latest public count is 351 with 3 warheads each. They are deploying them and continuing to deploy them. They make quite a point that some of them are deployed east of the Urals.

As you know, the SS-20's are mobile and where they are actually initially put is comparatively irrelevant because they could be moved back to face Europe. They could be deployed in the far eastern parts of the Soviet Union and actually threaten targets in the United States.

So, as a mobile, highly survivable, very accurate missile, it is one that the Soviets want to keep a monopoly in. That has been their goal.

Senator GARN. Their offer to reduce to the number of French and British intermediate-range missiles that have only one warhead each is more than they had in place when the talks started?

Secretary WEINBERGER. Yes.

The Soviets know, too, Senator, that by insisting on having consideration of the French and British systems, which are not intermediate range, but which are strategic range and which are under separate national control, when it is clear from the French and British reaction that these countries would never agree to having their systems included in the consideration, they know that this is a way that they can in effect block the negotiations without appearing to do so. That is essentially, I think, their aim.

Senator GARN. I would hope that those who support, as I do, arms reduction in the intermediate field as well as intercontinental ballistic missiles would recognize the fact of Soviet complicity during the entire 2 years of negotiations, of continuing to deploy what is now in excess of 300 SS-20's while we have zero Pershings and continue to push in the hope that they can get the Pershing eliminated.

I see no incentive whatever for the Soviet Union to reduce SS-20's as long as there is no deployment of Pershings.

Is it also true that the Army is currently drawing on moneys from other missile programs to keep the P-II production line open and the proposal from the Army if they reprogram those funds to keep the P-II line production on schedule, would have a serious impact on other Army missile programs?

Secretary WEINBERGER. That is true. Chaparrel and all the others would be seriously impacted. But we would have to start doing that if we wanted to avoid these very heavy termination costs and delays.

Senator GARN. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator STEVENS. Senator Rudman.

TIME LIMIT ON DEPLOYMENT APPROVAL

Senator RUDMAN. I want to get a specific idea of the timing we are speaking of.

We understand that if this is not approved by the 15th of May, you might have to terminate?

Secretary WEINBERGER. I think we have made arrangements so that we could do it toward the end of May. Beyond that we would be in a very serious situation, yes.

Senator RUDMAN. Thank you.

Senator STEVENS. Senator Kasten.

Senator KASTEN. Thank you, Mr. Chairman.

CURRENT SOVIET OFFER

Mr. Secretary, what importance do you attribute to the Soviet offer last night regarding reduction of warheads?

Following up on Senator Garn's comments, do you think that the offer would have been more realistic were we in fact ready to deploy the Pershing II at this time?

Secretary WEINBERGER. I think one of the primary purposes of the offer, of course, was to continue to try to influence public opinion in Europe and here against the deployment, and hold out a sort of hope that a genuine agreement that would balance the situation

in a way that would enable us to maintain a deterrent was somehow in the offing.

I think the agreement to move to a warhead count as opposed to just launchers is certainly a favorable sign. I felt for a long time warheads and throw-weight are the only effective means of measuring the destructive character of these weapons and, therefore, that should be the measure of reduction.

However, when the offer is coupled with an insistence that we include French and British systems, as I said just a moment ago to Senator Garn, that is a way of preventing any agreement because they know in advance that the British and French quite appropriately do not want their intercontinental systems included in this kind of negotiation and we have no authority whatever, of course, to negotiate for the British and French.

Senator KASTEN. So you would agree that their offer would have been more realistic and we might have been able to make better progress if we were in fact able to deploy the Pershing II system today.

Secretary WEINBERGER. Without any question. It is their continuing hope to either block deployment or to have a result in the United States that would mean we couldn't continue with the production.

Senator KASTEN. Thank you, Mr. Chairman.

Senator STEVENS. Thank you.

RESPONSE TO RECENT SOVIET STATEMENT

Mr. Secretary, in connection with the deployment, will there be any response to the recent statement by the Soviet Premier?

Secretary WEINBERGER. I am sure, yes, Senator.

As you know, that is not within our responsibilities in the Department of Defense, but I know the people in the State Department and in the Arms Control Agency, the negotiators who will be meeting at Geneva, will undoubtedly have an official U.S. response if this is in fact presented by the Soviet negotiators as a Soviet proposal.

At the moment it is an excerpt from a speech which Mr. Andropov made a couple days ago. If it is presented as a formal proposal, I am sure the United States will have a formal response.

Senator STEVENS. Thank you very much.

WARTIME HOST NATION SUPPORT

Now, let us turn to wartime host nation support.

Senator Stennis, do you have any questions on that?

Senator STENNIS. Mr. Chairman, just briefly.

In all the hearings I have attended I have not had a chance to hear the Secretary's testimony on NATO and the exact conditions pertaining.

I want to ask the questions now. Time is precious. We may have a vote soon.

Senator STEVENS. We have a vote on. Go ahead, though.

Senator STENNIS. Anyway, let me put it this way to you, Mr. Secretary.

The first vote I cast here, and that was a number of years ago, was for the forerunner of NATO. They told us how skimpy we were going to be and how little it was going to cost. Conditions have changed a lot since then. Now we have that large manpower group over there and we have these fine missiles and so forth.

What do you have on your list of things you can reduce? Did you propose any reductions for this year?

We are going to have an amendment made this afternoon proposing to reduce the money that medicare can spend on the elderly people, 65 and above. The reason for that amendment is not that they don't need it, but we don't have enough money. They are going to have to reduce it some.

What do you suggest we reduce in these programs that we have in Western Europe?

I am for the alliance all right. That is the bulwark that will help us defend ourselves.

Secretary WEINBERGER. We made reductions prior to the submission of the budget in the number of overall programs in the defense budget and those reductions were made prior to the submission of the budget to the Congress.

We have not changed our commitment with respect to NATO. Our commitment is represented by four divisions currently forward-deployed plus an additional six divisions that would reinforce Europe by 10 days following mobilization.

We are trying to reduce the total cost of the NATO requirement. Host nation support agreement is one of the ways we do that. This program provides services that have to be performed at a very much lower cost than we would have to pay ourselves.

I know that is not a completely satisfactory answer. It does not produce any actual funds. But it is one of the ways we spend less for vital services than we would otherwise.

Senator STEVENS. I have to interrupt the Secretary. There is a vote on. We will stand in recess until we return.

[Recess.]

PERSHING II TESTING

Senator STEVENS. We will resume.

Secretary WEINBERGER. Senator, could I make one statement?

The testing of the Pershing II is not contemplated for Alaska or indeed for any other area except the White Sands test range and the Atlantic test range. So, for the full series of remaining tests, which will be completed in July, we do not contemplate testing over Alaska. Alaska has not qualified for that honor yet.

Senator STEVENS. Some people will be glad to hear that. Other people will be sad.

Mr. Secretary, Alaska was the site of substantial missile testing in the early days?

Secretary WEINBERGER. Secretary Ambrose will be able to develop that.

Senator STEVENS. I will discuss that with him. When the matter came up, I did check it out. I feel the attitude is still the same. If it is in the interest of national defense, we would not object to the testing.

We are still on the host nation support.
Do you have questions, Senator Rudman?

POMCUS

Senator RUDMAN. A question for either the Secretary or possibly General Dawkins on POMCUS. I don't know if this is the right time to ask it.

Senator STEVENS. Do you have any questions on POMCUS, Senator Stennis?

Senator STENNIS. No.

Senator STEVENS. Go ahead.

Senator RUDMAN. Mr. Secretary, about 10 days ago Chairman Tower of the Armed Services Committee had a hearing and invited members of this subcommittee to attend for the purpose of hearing General Rogers. His testimony was excellent. He gave a good perspective on the issue. I asked him a question at that time and I would like to ask the same question of you.

It seems that acknowledging our deficiencies at the current time in airlift, which we are trying to correct, the POMCUS theory almost flies in the face of every doctrine that you teach at the War College and Command and General Staff Colleges. You are putting huge amounts of equipment in a concentrated area, in an area of Germany where, if the Soviets decided to launch a strike into Germany, it would seem the first thing they would do would be to take out the POMCUS sites and thus invalidate the use of that equipment to anyone.

I wonder about the concentration of the equipment. I have visited the sites, as you have, and it is certainly concentrated.

Secretary WEINBERGER. The two POMCUS sites we are talking about are in Belgium and Netherlands. There are, of course, POMCUS sites in Germany as you point out. We are confronted with a dilemma. It is critical that the equipment be stored in a way that enables rapid distribution.

The reinforcement plan contemplates that the United States would transport six divisions worth of personnel to Europe within 10 days. The reason we could do that is because the equipment is already there. It is, of course, possible that a surprise attack could destroy something even more valuable than the POMCUS sets. However, on balance, though we certainly recognize the risk, and we try to protect the site, we feel that it is important to have the equipment there, prepositioned, and ready to be distributed.

Without any question, the POMCUS sites are targets, as indeed are a lot of other things, such as the artillery pieces, the training areas, and the assembly areas. All of these things are targets.

Senator RUDMAN. General Rogers' response was that he thought he would have time, during the escalation of tension, to mobilize the necessary defense division. That may well be true.

Secretary WEINBERGER. In previous situations we have had from heightened tensions and indeed from a number of indicators enough time to make the necessary equipment distribution and the necessary troop movements so that troops arriving by air without equipment could be equipped and put into their predetermined places.

Of course, there are surprise attack scenarios where everything is at risk, no matter what it is or where it is stored. There is no place that is safe in the event of a surprise attack.

M–1 ABRAMS TANKS AS RELATED TO POMCUS

Senator RUDMAN. The only other question I have related to POMCUS sites, Mr. Chairman, is this: It is my understanding that there is a variety of good reasons, but nevertheless, some of our M–1 Abrams tanks are designed for POMCUS sites because that is the equipment that those units would use and as that continues we still have a large number of troops in Germany with M–60A3 tanks.

Is there any way to change that, Mr. Secretary?

Secretary WEINBERGER. There is one way and that is, of course, to have a higher production rate for the M–1 tank. I certainly accept the point.

We do have a large percentage of the tanks coming off the production line and going directly to troops in the field, most of them to Europe and some to Reserve and Guard units because we want them to have that experience.

Again this is a matter of trying to strike a balance between having the equipment that will be needed ready for immediate distibution while at the same time providing forward deployed troops as much training and as much familiarity as possible with the tank they will be using in combat.

I have looked into this exact point and I think we are going to try to change that balance a bit so that more of the most modern tanks will go to troops in the field.

When the M–1 tank first came off the production lines we were rotating a lot of units to enable them to train with it. Now we want to equip them more and more with it. We don't want to keep too many of them in the warehouses. We do want to have some in the warehouses because we don't want to airlift tanks over in the event of an emergency. Tanks of course, are your most space-consuming item.

Senator RUDMAN. In talking to field commanders in Europe it was expressed that there were certain logistical problems, but in the event of heightened tensions of short duration, it seems logical to have those at the forward edge of the battle using our main battle tank.

I hope you can change that. I have some numbers. They are not worth repeating here. They may be inaccurate at this time. I don't think it wise to put large numbers of M–1 Abrams tanks in warehouses while troops in Europe are running around with the M–60 and M–60A3.

Secretary WEINBERGER. I appreciate that. I see the rationale for putting them there. I see the enormous importance in having the four divisions that are forward-deployed equipped with the most modern weapons as the production line increases, and we hope it will, although one of the reductions we made ourselves before we submitted the budget was to reduce the production capacity and the production deliveries of the tank in the interest of saving some funds.

I don't disagree with you at all. It is more important for forward-deployed troops to have the most modern equipment even than for troop training. You have to maintain some balance.

Senator RUDMAN. I don't want to suggest what you ought to do. I just want to raise the concern.

Secretary WEINBERGER. Yes.

Senator RUDMAN. Thank you, Mr. Chairman.

Senator STEVENS. Any more questions on wartime host nation support or POMCUS?

Senator SPECTER. I do not have questions on that subject, but I do have some other questions when appropriate.

Senator STEVENS. Thank you.

INCREASED TROOP STRENGTHS IN EUROPE

On wartime host nation support, Mr. Secretary, just a few questions.

You recall this committee's feeling about further increases in troops in Europe. If we do commit additional funds to the wartime host nation support, will that help us keep down the pressure to continue to increase the number of our troops assigned abroad?

Secretary WEINBERGER. Yes, sir, this will indeed. These are 93,000 German troops who would be in the Bundeswehr Reserve and who would perform tasks that otherwise would have to be performed by U.S. forces or civilian personnel. These tasks include vital logistical support as well as decontamination and transportation.

Senator STEVENS. We had a series of visits from members of the German Parliament who expressed concern over the fact that our executive branch had entered into a commitment on host nation support and literally wondered out loud how our Congress could possibly be involved in not keeping that commitment.

It shows the difficulty in our system compared to their perhaps, parliamentary system compared to our congressional system. I am told that there may be other host nation support agreements being explored with NATO partners other than Germany. Is that right?

Secretary WEINBERGER. I am not aware of any specific ones, Senator. But there is no question that we are trying to arrange for necessary tasks to be performed at the least possible cost. These include transportation, decontamination, distribution of supplies, and resupply, should we become engaged in conflict in Europe.

As you know, none of this comes into effect unless war occurs. So, it would not surprise me if there were some other agreements of this kind under discussion. However, I know of none at the moment.

The German agreement was considered to be a breakthrough in the sense that it is the first time we have been able to obtain a committment from our allies to perform necessary logistics support tasks for U.S. forces, and at very low cost.

Senator STEVENS. Do you feel that the commitment of funds was authorized by the Congress before the agreement was made?

Secretary WEINBERGER. Yes. sir. Not the dollars, of course. The funds must be authorized and appropriated, but the basic idea of providing for the reinforcement of NATO and the carrying out of

the original NATO commitment I would think had a general authorization. We indicated to other countries that any agreement that is entered into is subject to enabling legislation and the availability of funds.

Senator STEVENS. Do you feel if we put up the money this year that has been requested that we are agreeing to the full amount that was committed by the agreement, some $580 million?

Secretary WEINBERGER. No, sir, I don't think one Congress can bind the next and I don't think the executive branch can bind any other branch of the U.S. Government.

I do think this program is in the national interest of the United States and is necessary to fulfill our NATO commitment. I think anyone remotely familiar with our system understands that things can be terminated and halted, that there is nothing that is in any sense permanently binding.

I do think, however, that it is a very important commitment to keep. But there is no way in which we could argue or that we do argue that we have bound ourselves in perpetuity when we know each Congress has to reauthorize and reappropriate.

POMCUS

Senator STEVENS. I have some more specific questions on details for your colleagues. Let me turn to POMCUS.

Mr. Secretary, this is a supplemental request. It was turned down in the regular bill. It is not like Pershing I. It is not even like the host nation support concept.

What is the urgency?

We understand that the POMCUS five and six storage sites will not be ready until March of 1984 which is the second quarter of 1984.

Why are we being asked again this year for the POMCUS money?

Secretary WEINBERGER. Because, Mr. Chairman, the nations that are contributing the land and the funds and the NATO infrastructure funding worry that congressional action last year on this program might be the permanent action of the Congress. This could lead to a lessening of their commitment. Indeed, both Belgium and the Netherlands, I think it is fair to say, would have a great many other uses for this very valuable land.

Our position is that enough concerns have been expressed to us about the American commitment to go ahead with the POMCUS program. I think it is essential that we advise the Dutch and the Beligians that we do favor this, in order to insure greater allied burden sharing in the future.

I, of course, strongly favor it, because it saves us air and sealift and puts us in a position to carry out our commitment to reinforce Europe in a crisis.

Senator STEVENS. Mr. Secretary, I remember so well a newsreel I saw when I was not even yet in the military, in pre-World War II days, of the great maginot line. Having just returned from a trip to the NATO area last December, thinking recently about the impact of what we saw and what we were told was coming in terms of a request of the Congress for money to build further installations in

Europe, particularly in Germany, let me ask you, not being facetious at all, but we are pre-positioning enormous sets of equipment? We are putting up substantial moneys; asked to put up substantial moneys to provide the armaments for reservists in Germany? We are told that we can also expect at least $10 billion in construction money for new military construction in Germany alone in connection with NATO.

We are getting to the point where an alliance is being turned into a new maginot line. We are going to be continually putting money into something that will have lost its utility because of the fact it is so well identified and so well prepared for by a potential enemy, that we are really sinking into the same psychology the French had in those days—thinking they were totally secure because they had so much money in the ground.

FORWARD DEFENSE STRATEGY

Secretary WEINBERGER. No, sir, we are doing exactly the opposite. We are talking not about a point static defense, but about a forward defense.

The master restationing plan, which the allies are in favor of is a vital element involving the movement of U.S. Forces to more forward positions so that the defense posture can be better maintained.

We are also pre-positioning equipment, as Senator Rudman has pointed out, but for easier, more efficient, and quick distribution. But we are not doing this with the idea of just digging in along the line and staying there.

All our tactics, all of our new tactical concepts are designed to enable us to deal with larger numbers opposite us, larger numbers of an attacking force.

One of our problems, of course, is that our defensive strategy requires a high degree of readiness and a high degree of mobility. That is essentially what the POMCUS programs and the master restationing plan would contribute to.

Also, a large amount of the construction that we propose for Europe is not specifically military. It is for better housing.

The housing and living conditions of our troops in Europe are, frankly, very bad, in Germany particularly. That is where we do need to spend some money to improve the quality of life for our troops.

But we are not constructing a Maginot Line, and we are not digging in behind it. We do not have a static defense in mind.

We have in mind the most effective defense we can devise which would involve, if the Soviets attack across the central front, tactics that would be designed to multiply our forces' effectiveness as quickly as possible with a number of new weapons and new tactics.

I certainly appreciate the worry that you would have about our going back to static defense concepts. That has proven I think to be a very ineffective form of defense.

SITE HARDENING AGAINST CONVENTIONAL ARTILLEY

Senator STEVENS. None of these POMCUS sites are hardened against conventional artillery, are they?

Secretary WEINBERGER. There is some hardening. There is blast protection. But POMCUS sites are not designed as bunkers. They are designed to hold in areas most convenient for rapid distribution divisional equipment so that we don't have to air and sealift it and so the U.S. reinforcing divisions can go into action more rapidly.

It is certainly true that the effectiveness of this system would depend on our having a degree of warning which we believe we will have before any kind of full-scale attack comes.

POMCUS HOST NATION SUPPORT EMERGENCY PROTECTION

Senator STEVENS. Do we have any commitment from the host nations to provide emergency protection for those POMCUS sites?

Secretary WEINBERGER. Yes; there are security arrangements and contingency security arrangements.

Senator STEVENS. That is my next question.

Is there interlocking between POMCUS and host nation support?

Secretary WEINBERGER. Yes; there is indeed. Some of the duties that the 93,000 we have referred to in Germany would immediately deploy and protect airfields and weapon assembly sites and concentrations of material. However, none of the 93,000 German reservists are explictly assigned to protect POMCUS sites. we would expect reinforcing troops to have fallen in on their equipment and moved out of the POMCUS sites by the time the 93,000 German reservists are mobilized.

Again, there is no question that should there be a surprise attack of a devastating nature, some of it might be destroyed along with housing and along with artillery emplacements or anything else that we might have. That is the risk of the whole business.

That is why we want never to have to use any of it. We want it there so that we won't have to use it.

Senator STEVENS. Senator Stennis?

Senator STENNIS. No questions.

Senator STEVENS. Senator Rudman?

Senator Specter?

Senator SPECTER. I have some questions. Mr. Chairman.

NORTHEAST-MIDWEST COALITION MEETING

Mr. Secretary, on a related matter, the overall defense budget obviously requires some tremendous public support. As you know, I have supported the President's program for defense.

The questions that I would like to take up with you relate to the subject of the Northeast-Midwest Coalition which had expected to meet with you yesterday.

Secretary WEINBERGER. We had a White House meeting which cut across any available time.

Senator SPECTER. I know that. I want to take 5 minutes or so and discuss with you a number of matters which are of concern to me and to the coalition.

STATISTICS ON DOD ALLOCATION OF EXPENDITURES

It is a growing concern that I have heard expressed as I have traveled through the State of Pennsylvania and other places about

the allocation of expenditures by the Department of Defense and I understand that there were many reasons why the expenditures are made in the south and west as opposed to the Northeast and the Midwest and that it takes a very strong effort to reallocate those expenditures.

But the statistics are really very one sided. I think they are growing more so. In fiscal year 1983 the expenditures on a per capita basis for the entire United States were pegged at $539. The South and West received $754 per capita. The Northeast-Midwest received $296 per capita.

If you take a look at the expenditures on a comparison percent of tax burden, the Northeast and Midwest have 48.4 percent of the tax burden and receive 25.8 percent of the defense expenditures. The South and West have 51.7 percent of the tax burden and receive 74.2 percent of defense expenditures.

Before giving other figures—and I have only a few more to give you—I wonder if you could respond to how there might be some better allocation when the time comes for the support, which obviously you have to have on a nationwide basis. Those of us from States like Pennsylvania are in a position to say that there is a real effort to the maximum extent possible being made by DOD to allocate whatever can be to a State like Pennsylvania?

Secretary WEINBERGER. Yes, sir, I would be glad to.

It is a source of continuing worry to us because without any kind of plan and without any kind of intention the contract awards fall out roughly in the category you said. This is because basically we are bound to award contracts to the lowest responsible bidder for the great bulk of our procurement.

Some people are unhappy with us because we have more contracts that are let to a single bidder or sole source, and that usually is a product of the fact that we don't have very many people bidding on some of these jobs.

There is something of an exception in the cses of so-called small business, and minority business set asides where only firms in those categories may bid. But even in these cases, we select from among these firms, the lowest bid from the responsive and responsible source.

There are a few situations in which we do have some other discretion, but they are very, very limited. We don't really have the ability to direct contract awards to particular parts of the country.

We are obviously aware of the unemployment problems in the Midwest and Northeast. However, it is a fact that a great many of the manufacturers of the more sophisticated technologies that we need, the newer things, have located their factories and their plants in the South and Western part of the country for a number of reasons.

That is again a part of the reason why this happens. These are all reasons why it happens. You are interested in solutions and we are too.

One of the things we have tried to do is to hold a number of so-called clinics or procurement sessions, workshops, in the Midwest and Northeast. We have done it in Illinois, we have done it in a number of other States and we stand ready to do it wherever it is wanted.

These are essentially methods of advising companies and prospective manufacturers what our needs will be in 1 year, 2 years out, according to our basic plans, and to let them know what we need, how to bid, what are some of the problems in dealing with the Government, what are some of the contract provisions they can expect us to insist on, a whole agenda of things of that kind, so that they will be better equipped to try to bid and, in effect, give us a lower bid.

We do this anywhere in the country where it is desired. But if it comes down to a situation where a firm in Arizona or New Mexico, or whatever, has a much lower bid for the kind of work that we need than a firm in Ohio or in Pennsylvania or in Massachusetts, we have very, very little option.

That is one of the reasons that these percentages have fallen out the way you have indicated. It is not by design. It is simply the way low bids have come in.

We can and do try and do quite a lot to encourage participation by business from parts of the country where the unemployment is high.

CONTRACT TARGETING

Senator SPECTER. Mr. Secretary, the Addabbo amendment in 1980 and the Stratton amendment in 1982 resulted in the requirement that the Defense Department target several billion dollars worth of contracts; as I understand it, $3.4 billion through fiscal 1981, $5 billion in 1982, and $4 billion in fiscal 1983.

The only information that I have available as to the results show that targeting has not been accomplished. The material provided to me shows that between February 26, 1981, and January 31, 1982, a period of approximately 1 year, defense contracts were valued at approximately $1 billion.

What is your understanding as to compliance by the Department of Defense with those targeting requirements of law?

Secretary WEINBERGER. We certainly do try to target into those areas. I don't know that the amendments actually override the basic competitive bidding provisions. But by targeting we understand that we should make every effort to make awards to companies in those particular areas.

I think, Senator, you will find that we did utilize the price differential process in the way that the amendments intended, in order to increase opportunities for firms in labor-surplus areas. This will be explained in detail in a report to be made by the President to the Congress as required by the Stratton amendment.

We have also complied with the small business act to award a fair share of our procurements to this nations small business community. In 1982 we awarded to small businesses $20.1 billion or 19.7 percent of our total prime contract awards with U.S. business firms.

Senator SPECTER. It is my understanding that the specifications in the Addabbo amendment in 1980 and Stratton amendment in 1982 are mandatory.

Do you have any doubts about that?

Secretary WEINBERGER. No; I think we have reached it. We have allocated contracts in the amounts called for in those targets.

As you pointed out, there have been more that have been awarded to companies in other parts of the country.

Senator STEVENS. Gentlemen, I hate to interrupt, but we have specific matters before the subcommittee this afternoon on the supplemental. With due respect, Senator, the items you are asking are not in the supplemental which we have to act on this week.

I will be happy to have a hearing later to deal with some of the general matters. I would like to get to the B–1B multiple year contracts and back to POMCUS. We have not touched specialty metals yet.

Senator SPECTER. I very much appreciate the courtesy of permitting the time this afternoon. If I could just ask if Secretary Weinberger could supply those figures and touch on two other items in the course of less than a minute on the number of those procurement conferences which would be realistic for, say, the 18 States and for our Northeast-Midwest coalition, I would be grateful and also on the subject of tracing subcontracts which is a subject of interest.

Secretary WEINBERGER. Yes. We frequently encourage to the greatest extent we can, a prime contractor to procure from areas of high unemployment.

We will be glad to do this and I will be glad to meet with your groups any time. That was an unfortunate emergency yesterday.

Senator SPECTER. I very much appreciate your response today.

Thank you, Mr. Chairman.

Senator STEVENS. Thank you.

Thank you, Mr. Secretary.

We are going to go on to the other details, if you will let us do that, and ask your people about the specifics.

Secretary WEINBERGER Thank you for the very courteous hearing. I appreciate it very much.

Senator STEVENS. I would like to talk to the B-1B multiyear procurement issue, General Skantze and Colonel Evatt, if the other gentlemen will agree.

How about going to Secretary Ambrose. We will cover Pershing II.

DEPARTMENT OF THE ARMY

STATEMENT OF THE HONORABLE JAMES R. AMBROSE, UNDER SECRETARY OF THE ARMY

PERSHING II MISSILE SYSTEM

Mr. AMBROSE. I don't have a formal prepared statement, Mr. Chairman. I am here to answer your questions.

I might just say, if you will allow me a few words in introducing the subject that, I won't go over the specific situation that we found ourselves in at the end of December. I think you are quite familiar with that. I would just like to say that given that situation, we faced a combination of things that we thought very hard and long about.

First, if we terminated the fiscal year 1983 program at that point, we faced a substantial termination cost and resumption of the work at any subsequent time would lead to an increase in the cost of the program which seemed in all likelihood to be fully supported in due course.

Second, we were concerned as I think all of us are, that such a termination would give rise to substantial geopolitical questions that we felt an obligation on our part to expose as fully as we could to the Congress and the Administration. But, while doing that, we wished to maintain as fully as we could both the effort to reach a December 1983 date that had long been decided upon and to complete as expeditiously and as thoroughly as possible the testing that was the basis under which the Congress, took the action that posed a dilemma for us.

I believe we can report to you accurately that we have conducted successful test programs to this point which leaves me in the position of stating to you that I think we have a well demonstrated successful missile design.

We have continuing work to gain reliability data on the missile, but I think there is no question about the success of the design meeting its performance requirements

TWO-STAGE TEST OF PERSHING II

Senator STEVENS. Where are you going to test this bird now with the two-stage test?

That is how I got into it on the Alaska question. I was told you didn't have a range.

Mr. AMBROSE: The original test plan called for, after a preliminary series of tests at White Sands Missile Range, flying the missile full up, both stages and warhead and the like, from a test site in Idaho into the White Sands Missile Range.

The earlier testing in White Sands revealed a range safety problem, in that the second stage, after it had completed its function

and was just thrown aside, had some chance of falling outside the missile range.

We stopped planning the test in the full up overland from Idaho to White Sands mode until we could find a solution to that problem. It is not an operational problem. It is a range safety problem.

In field use and warfare you just simply wouldn't care what happened to that second stage.

We have not found a solution at this point in time to that problem which we feel we can implement and demonstrate in time to employ in the present series of tests. So, the test plan was revised and very careful consideration was given to whether in any way that shortchanged the testing.

The conclusion was that it did not. The test plan was revised to fire two-stage, full missiles down the Atlantic range. They are missing only a land target at the end, but we have devised exercises that show that all of the targeting, terminal guidance and related components operate fully and that the reentry vehicle would land in the right place if there were a land target.

We took one stage off and fired the other missiles at White Sands against a target. In either case, the terminal guidance equipment and the radar correlators simply don't know whether they are on a one-stage or two-stage missile.

So, the test is as fully valid as though there were two stages. We are continuing to search for a solution to this overland full up situation because over the years we would like to have them fired overland for the military crews to prove their operational readiness,

In the course of searching for rocketry solutions they have studied other possible directions in which to fire this missile from the Idaho test facility.

These directions that have been studied have included looking toward the Northwest or Alaska, but as far as I am aware, and I reviewed it only a few days ago, there was no solution found looking in that direction.

RANGE SIZE

Senator STEVENS. How much of a range do you need?

Mr. AMBROSE. We need an 1,800 kilometer or about a 1,000-mile range. Any firing from the continental U.S. is going to take it over populated areas in Washington, or Oregon, Utah, Idaho, and so forth. So, until we have completely satisfied ourselves, the range safety people, and the public that we have a safe way to do this, we simply are not going to do it.

Senator STEVENS. This missile testing would not be nuclear testing?

Mr. AMBROSE. That is right. We feel that the operational crews can test themselves successfully in the Atlantic range.

As a matter of fact, military crews will fire the last few of these development missiles in the July time period in the Atlantic range.

There is also a military crew that does a good deal of the firing work in the test flights at White Sands at the present time. So we think there is not a problem that is really any different from those that confront the Trident and the Minuteman.

PERSHING II: IMPORTANCE OF SUPPLEMENTAL FUNDING

Senator STEVENS. What is going to happen to the program if this supplemental is denied?

Mr. AMBROSE: We feel, and have said so repeatedly, that we have to stop this program because at the present time we are financing at risk from the Army missile account. We have $150 million at risk here.

If we fully financed it out of that account, we would have to terminate some of the other major programs and we would have to cut the rest of them back drastically.

I think that we should point out to you that those cutbacks, including necessarily Patriot, which is the biggest other missile account we have, the Divad and other programs of that sort, will be presenting an adverse message to the European community that we will not be fielding Patriot and other air defense programs on the schedules and at the rate and levels that we have planned.

So, I think in addition to the difficulties and expense that we will encounter in a good many other programs, we will be sending a wrong message to the world, in lieu of the one that we would be sending, if we terminate this program.

So, we feel quite strongly that the proper course is to demonstrate to you that we have brought the testing to an adequate state and that we should continue with the supplemental funding as it had previously been agreed to and was planned.

Senator STEVENS. If you get full funding, when will the missile be ready for deployment?

Mr. AMBROSE. The IOC date will be met in any event, as Secretary Weinberger said earlier, because that has been paid for or will have been paid for with fiscal year 1982 and $30 million in operations and maintenance, Army funds that you provided in fiscal year 1983 expressly for the purpose of meeting the IOC.

What we will do with fiscal year 1983 funding is continue the deployment beyond the first few missiles.

Stopping fiscal year 1983 work will stop the fielding in Europe after one, or at most two batteries and then there would be a long gap and an uncertain period as to whether there would be any more.

This, of course, is not an effective military force. It is just the beginning of planned continuing deployment

TOTAL FUNDING IN PERSHING

Senator STEVENS. How much money do we have in the Pershing II already?

Mr. AMBROSE. It is a little bit difficult to give you a precise answer because there is an uncertainty about the actual cost that would be incurred in termination.

We are trying to operate to this point in time, the middle or latter part of May, within the $150 million total including possible termination charges.

The best estimate I have been able to garner of what would happen if we stopped this instantly is somewhere between $120 to $130 million at this point, but there is an uncertainty of perhaps $25 million in that number.

Senator STEVENS. You seek a total here of $508.6 million?

Mr. AMBROSE. Yes, from which you have to subtract $30 million in operations and maintenance, Army, which was appropriated or allowed under the second CRA. This money was allocated to provide for things that are needed to meet the IOC date that had been put into fiscal year 1983 simply because that was the year in which the expenses would be incurred.

This is largely for engineering services and hardware modifications to allow initial deployment in Germany.

OVERALL TOTAL COST OF PERSHING

Senator STEVENS. What would be the total cost of Pershing when it is built and deployed?

Mr. AMBROSE. I will have to give you that answer for the record, Senator. I don't have it at the top of my head.

Senator STEVENS. Does anyone here have the total program cost of Pershing II?

Mr. AMBROSE. We will get you the answer immediately.

[The information follows:]

PROGRAM COST

The total program cost, as reported in the December 31, 1982, Selected Acquisition Report, is $2737.6 million. That cost is broken down as follows: (Deleted) for research and development; (deleted) for procurement; and (deleted) for construction.

Senator STEVENS. Senator Stennis, do you have any questions?

Senator STENNIS. I did not hear the answer.

Senator STEVENS. He said total cost they didn't have here.

Will you provide it for the record?

Mr. AMBROSE. I will have it for you this afternoon.

Senator STENNIS. I don't have any other questions, Mr. Chairman.

Senator STEVENS. Thank you very much. We appreciate your attendance, Mr. Secretary.

I would like now to go back to General Skantze and Colonel Evatt on the B-1B. Then we will get back to specialty metals and the technical questions on POMCUS.

DEPARTMENT OF THE AIR FORCE

STATEMENTS OF:

LT. GEN. LAWRENCE A. SKANTZE, DEPUTY CHIEF OF STAFF, RESEARCH, DEVELOPMENT, AND ACQUISITION

COL. JAMES W. EVATT, SPECIAL ASSISTANT FOR B-1B MATTERS, DIRECTORATE OF OPERATIONAL REQUIREMENTS, OFFICE OF THE DEPUTY CHIEF OF STAFF, RESEARCH, DEVELOPMENT AND ACQUISITION

B-1B BOMBER MULTIYEAR PROCUREMENT

Senator STEVENS. You are now requesting authority to use the moneys that are already appropriated for multiyear procurement, as I understand it. You did not seek that authority in the original 1983 budget submission.

Can you tell the committee, General, why we have this change of policy and what would be the overall effect on the program if we were to concur with your request.

General SKANTZE. Thank you, Mr. Chairman.

As you are aware, the 1983 CRA language said that the multiyear should be submitted in the year of the budget. We have submitted a multiyear for the B-1B in the 1984 President's budget.

In transmitting that over to the Congress, Secretary Weinberger also identified the fact that if we could obtain some language to use $185 million of the already appropriated fiscal year 1983 funds and shift that from the weapon systems account to advanced procurement funding, we could then take that increment in fiscal year 1983 and use that for early economic ordering on the part of the four associate contractors.

I should like to explain that if I might.

There are two ways we save money in multiyear contracting. The bulk of the savings comes from economic ordering. In other words, the prime contractor could order 3 years worth of landing gears as opposed to 1 year.

The subcontractor who builds the wings could order titanium billets for 3 years worth of wings as opposed to 1 year.

By making those orders to vendors and suppliers, you can get much better prices for larger quantities. That is where the bulk of the savings come from, about 75 percent of the projected $1.2 billion in then-year dollars.

The balance of the savings comes from manufacturing efficiencies that the associate contractors make in their production processes, in that they have the guarantee of a more balanced production rate.

In essence we are looking for the basic fundamental decision on multiyear procurement as part of the 1984 President's budget appropriation process.

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Senator STEVENS. How many multiyear contracts do you plan to award under this advanced authority?

General SKANTZE. We would award four economic ordering quantity contracts for the fiscal year 1983 portion of the economic orders.

Senator STEVENS. I have some specific questions on details that I will submit to you, General.

I am told that the Rockwell award is not scheduled until 1985.

MULTIYEAR CONTRACTS

Why should we give you a multiyear authority for 1983 money?

General SKANTZE. I am trying to draw a distinction between economic order quantity purchases and full up multiyear contracts. The only thing we are requesting in the supplemental is to use $185 million of already appropriated funds to let each one of these associates, Rockwell, Boeing, General Electric, AIL, to do some economic ordering up front with that money.

Senator STEVENS. Can't you make economic ordering without multiyear contract authority?

You are not asking for economic ordering. You are asking for multiyear contract authority.

General SKANTZE. The multiyear contracting authority in truth, and there may be some confusion with some of the words in the supplemental, but we are looking for the basic multiyear approval in the 1984 President's budget.

It was submitted as a 1984 President's budget request, but at the same time we said if Congress could provide the flexibility to allow the use of some of the already appropriated fiscal year 1983 funds to do some economic ordering up front, we would maximize the amount of savings.

In my judgment, if they have that authority, that still leaves the option of the full multiyear up to the normal congressional approval cycle.

GAO REVIEW ON B-1B PROGRAM

Senator STEVENS. General, we are told GAO has a review going on on the B-1B program and the Air Force has been reluctant to give all of the budget details that GAO requests. They have indicated to us that there is an estimated $3 billion in budget funding to cover contingencies in the program.

Is there that much budgeted here for contingency?

General SKANTZE. In our overall budget plan—this is through the total program of $20.5 billion in fiscal 1981 dollars—there are funds identified currently for future production contracts, and it represents the difference between our budget estimate, or most likely cost contingencies.

Senator STEVENS. It is hard to envision how we are going to detail the savings in the B-1B from multiyear contracting authority if there is that big a cushion.

Why do you need that big a cushion and why are you reluctant to share this data that GAO wants to analyze the B-1B program?

General SKANTZE. The answer to the first question, and I can submit a more detailed one for the record, is that the difference be-

tween our initial offer to the contractors and our actual budget estimate becomes 10 percent in total program when expressed in then-year dollars. That is not unusual for the prudent management of the negotiation process in this large of a program.

Senator STEVENS. It is not unusual unless there is built already in the other figures the estimate for inflation, estimate for just normal contingencies.

The indication that this is a contingency on contingency is coming out of the GAO study. We need to get the information that the GAO has sought from you in order to get that information.

My real question comes down to how can we have any confidence in the outcome of the review of the contracting authority for this program if there is so much uncertainty in the budgeting already?

We are going to measure what happens. You tell us, I am told, that we might save a considerable amount of money if we go into multiyear contracts; is that correct?

General SKANTZE. That is correct.

Senator STEVENS. How much do you estimate?

General SKANTZE. $1.2 billion in then-year dollars.

CONTINGENCY FUNDS

Senator STEVENS. What happens to the $3 billion contingency?

General SKANTZE. The $3 billion for negotiations flexibility in future contracts is a sound management tool that will assist to insure the total program contracts are cost effective. That is consistent with any major program of this size.

I personally ran the AWACS program for 4 years. I had about that percentage of funds for negotiations in the AWACS through development and into production.

I can submit a more detailed statement on that for the record.

Senator STEVENS. Time is getting on.

General SKANTZE. May I comment on the GAO, the second part of your question?

Senator STEVENS. Certainly.

General SKANTZE. We have in hand the raw proposals from the associate contractors. Traditionally the contractor proposes more costs than he expects to realize in his contract, because he knows the negotiation process is going to reduce the final contract value.

Before those proposals will be meaningful to the GAO or to the Air Force, we have to submit them to the Defense Audit Agency so they can carefully examine them. This process takes 45 to 60 days, and allows the DCAA to determine if the truth in-pricing data is contained in the proposals and if the contractors have used the appropriate inflation factors, material rates, and labor rates. They can audit the expected number of hours that the contractors propose to do the work against what is reasonable for the work to be completed.

At the same time we have to fact find those proposals and make sure they have in that proposal that which we expect to buy. We also take out those things which we don't expect to buy.

It is not uncommon for contractors to add in additional spares, additional special test equipment, and charges for state taxes which subsequently have to be removed.

As soon as we complete that factfinding process and arrive at a Government negotiating position and go through that process, we would be happy to make all that data available to the GAO, but it would not be any more meaningful then to them than it is to us.

On the other hand, we are still talking with GAO and have offered to give them the aggregate numbers for the total multi-year procurement proposals versus the total annual procurements so that they can see the differences in what it is we expect to save.

So, we are still going through that dialogue process. To my knowledge, it is not closed out yet. I think the raw information is not that useful yet, but will be in a couple months.

Senator STEVENS. The GAO is an arm of the Congress. If we are to be asked to make a major change in contracting policy, it seems to me we have a right to ask our auditing arm to tell us what they feel would be the impact of that change in procedure.

They tell us they can't do that. I would urge you to find a way to give them what they need to respond to our questions.

General SKANTZE. I would also point out, Mr. Chairman, that when one looks at the schedule of the dates when we would award multi-year contracts, we will have completed the detailed negotiations with each one of the associate contractors and before we award a contract, that data will be available to the GAO and also to the committee.

Senator STEVENS. We will submit some specific questions, General, about this. I hope that the GAO can tell us the answers to our questions as we go to the floor because we will face those questions as we advocate the position of the Senate Appropriations Committee on the floor.

I presume we will attempt to grant multi-year contracting authority. We have advocated that in the past. In this instance there are some allegations that we want to enter into long-term contracts to prevent Congress from changing them in the future.

I am sure that that wouldn't happen anyway, would it? They will still be subject to appropriations?

General SKANTZE. That is correct, Mr. Chairman.

Again, I repeat the approval of this supplemental simply allows us transfer authority of only fiscal year 1983 funds already appropriated to be used for economic order quantity purchases.

Senator STEVENS. I understand that. I am inclined to support it. I urge you to get the GAO the information they need to give us their response.

General SKANTZE. Thank you, Mr. Chairman.

Senator STEVENS. I would like to go back to POMCUS and host nation support.

Will you gentlemen who are here to support the Secretary come to the table now, please?

OFFICE OF DEPUTY ASSISTANT SECRETARY OF DEFENSE

STATEMENTS OF:

CHARLES GROOVER, DEPUTY ASSISTANT SECRETARY OF DEFENSE (PROGRAM INTEGRATION), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (MANPOWER, RESERVE AFFAIRS AND LOGISTICS)

MAJ. GEN. E. C. O'CONNOR, DIRECTOR FOR OPERATIONS, READINESS AND MOBILIZATION, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS—ARMY

BRIG. GEN. P. M. DAWKINS, DEPUTY DIRECTOR, STRATEGY PLANS AND POLICIES, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS—ARMY

COL. MARC S. BARTHELLO, SPECIAL ASSISTANT FOR THE DEPUTY DIRECTOR FOR REGIONAL PLANS AND POLICY, DIRECTORATE OF PLANS, DEPUTY CHIEF OF STAFF FOR PLANS AND OPERATIONS

PREPOSITIONED MATERIEL CONFIGURED TO UNIT SETS (POMCUS) AND WAR TIME HOST NATION SUPPORT

Senator STEVENS. Mr. Groover, you are the Deputy Assistant Secretary of Defense for Program Integration, is that right?

Mr. GROOVER. Yes, sir.

Senator STEVENS. Office of the Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics.

Major General O'Connor, you are here as Director for Operations, Readiness and Mobilization.

General Dawkins, Deputy Director, Strategy Plans and Policies of the Office of the Deputy Chief of Staff for Operations and Plans, Army.

Colonel Barthello, you are Special Assistant for the Deputy Director for Regional Plans and Policy.

We have an additional witness, Colonel Douglass.

Colonel DOUGLASS. Lieutenant Colonel Douglass.

Senator STEVENS. You are here for specialty metals, is that right?

Colonel DOUGLASS. Yes.

Senator STEVENS. I don't intend to get to the policy questions that we addressed to the Secretary, but I would like to know some of the details.

EQUIPMENT PROVIDED TO RESERVE FORCES

For instance, on the host nation support we had some allegations last year concerning the kind of equipment that was going to be provided to these reservists.

It is correct, is it not, that this is to provide equipment for 93,000 people in the German reserve forces. Is that correct?

Mr. GROOVER. Sir, let me give a brief overview of why we are trying to do what we are trying to do in the host nation support area.

Senator STEVENS. With due respect, I have to go to another hearing. We had allegations last year that these pieces of equipment were to be provided to German reservists. They could take them home if they were farmers. They could take home jeeps and trucks. We were going to assist them in their economy.

We have trouble with this. I would like to know what kind of equipment we are talking about, what controls we have over it, whether or not these people in fact can take the equipment we provide and use them on their farms and in businesses?

Are these pieces of equipment in any way going to be used to support the German civilian economy as far as any kind of production distribution?

Mr. GROOVER. The short answer is no, sir.

There are three different sets of equipment involved in the host nation support program. Personal equipment to be used by the German reservists will be bought by the Germans.

The vast majority of the major equipment to be used by support units will be mobilized out of the German civil sector.

Equipment such as trucks, buses to be converted into ambulances, et cetera, will be identified in peacetime by serial number, source they are to come from, support unit they are to go to, and schedule under which they will be mobilized.

Most of the major equipment to be used by those support units will come out of the German civil sector.

Third, the U. S., under the terms of the agreement, would buy those few pieces of major equipment that are not available anywhere in the German civil sector or are not available in large enough quantities from the German civil sector. The United States would retain title and control of this equipment. It would not be turned over to the German reservists to be used in the civil economy.

Senator STEVENS. Why can't they use POMCUS equipment for reserve training—they told us they roll that stuff out once every month or two—and make sure it is operating and see that it is greased and see that it is functioning and run the motors.

Why could they not be using the POMCUS equipment rather than our spending additional money to provide additional equipment for them?

Mr. GROOVER. We are talking about completely different types of equipment in virtually every instance. For example, the kind of equipment we would have to buy under the host nation support agreement would be litters to install in buses to convert those buses to ambulances so that the Germans could handle our casualty evacuation function.

AVAILABILITY OF CONVERTED BUSES

Senator STEVENS. How about the buses themselves? Are you going to buy any of those?

Mr. GROOVER. No, sir. The buses are available in the German civil sector, but they are not configured as ambulances now. We would buy the kits to go in them.

Senator STEVENS. Will there be any jeeps and trucks provided for German farmers and German small businessmen?

Mr. GROOVER. No, sir.

Senator STEVENS. How about small arms?

Mr. GROOVER. Personal equipment will be bought by the Germans.

Senator STEVENS. So our portion of the host nation support agreement says that we will buy for them those items which are not available in their civilian economy which are needed to support our forces in time of war?

Mr. GROOVER. That is right, sir.

I would urge you not to think of this as our doing something for the Germans. We have gotten the Germans to agree to do something for us that badly needs to be done and we have gotten them to agree to pick up over half the cost of providing that support to us.

So, this in no sense is a U.S. subsidy of the German reserve structure.

Senator STEVENS. I don't mean to argue. You don't mean that to support a million people today in Germany is not doing something for the Germans?

Mr. GROOVER. No, sir. We have tremendous shortfalls in our combat support structure, logistics support units, that we need to support U.S. combat forces. We don't have enough of those units anywhere in the total force structure.

For the first time we have a European ally who has agreed to create those units in its own military reserve structure and dedicate them to support U.S. forces in wartime.

REQUIREMENTS OF GERMAN MILITARY PERSONNEL

Senator STEVENS. But this is peacetime. What do they do in peacetime with our equipment?

Do those reservists provide logistics support for the West German troops so they can maintain their quotas in NATO?

Mr. GROOVER. No, sir. These units will be organized and tailored to meet U.S. combat unit support requirements. They will be dedicated to supporting U.S. Forces in wartime. They will be exercised in peacetime at intervals that will be selected based on the type of unit you are talking about and the frequency of training required to maintain the proficiency that is required.

Of course, the equipment that is mobilized out of the civil sector and that the United States provides will be used in these periodic training exercises to ensure they have the proficiency they need so that we can rely on them.

Senator STEVENS. I would like some specifics in terms of the kind of equipment we are talking about. We would like to have that for the record.

Again, I want to make sure I understand this now because we are going to be asked in the Senate to reverse our position of last

year and that is what this does. This has been turned down once. It was turned down primarily for two reasons.

One was that we are not providing this kind of support for our own National Guard and Reservists.

Are you prepared to give us any answer to the question: Have we made any changes? Are we going to be able to supply our own National Guards and Reservists with the kinds of support we are providing here for the Germans?

Mr. GROOVER. I talked to General Wickham a day or so ago. He is to be the new Chief of Staff of the Army.

He is proud of the fact over the next several years the Army is going to procure $1.1 billion worth of new equipment for the U.S. Guard and Reserve each year and will transfer about another $140 millon a year worth of equipment to the U.S. Guard and Reserve.

The amount of equipment that the United States would buy for this United States-German wartime host nation support agreement is very, very small relative to the tremendous amounts of equipment that will flow into the U.S. Guard and Reserve units in the continental United States.

IMPLEMENTATION COST OF PROGRAM

Senator STEVENS. The cost appears to us to be somewhere around a quarter billion dollars every 5 years.

Mr. GROOVER. The total implementation cost of the program over 5 years, 1983 through 1987, is $580 million in fiscal year 1983 dollars. That includes both preliminary estimates of the equipment procurement cost, as well as the military cost which the Germans, of course, are paying, as well as the operating cost over that 5-year period.

After the 5-year implementation period, the Germans will pick up 60 percent of the annual recurring costs.

Senator STEVENS. Are we going to be expected to pay any of the cost of training?

Mr. GROOVER. Yes, sir, we will pay the cost of training other than the military personnel costs of the German reservists themselves which, of course, the Germans will pay.

Senator STEVENS. What cost of training will we pay?

Mr. GROOVER. There will be fuel costs, certain supplies consumed in the process of those exercises, things of that sort, sir.

Senator STEVENS. Are the training costs in the estimate of $580 million?

Mr. GROOVER. Yes. The $580 million represents the total cost for the first 5 years. Part of that is investment cost. Part of it is the recurring military personnel and operating cost.

Senator STEVENS. I originally was told it was $250 million. Your testimony is that it is $580 million?

Mr. GROOVER. $580 million is the total cost to the United States and Germany over the 5-year period. That $580 is to be split almost exactly 50–50 between the two countries.

Senator STEVENS. That is 1983 dollars; is that right?

Mr. GROOVER. Yes, sir.

Senator STEVENS. Could you give us a breakdown of that $580?

We have been working on the basis we were going to have a first increment of $250 million.

Mr. GROOVER. May I give you that for the record, sir.

Senator STEVENS. Yes.

[The information follows:]

5-YEAR CYCLE TRAINING COSTS

Under the cost-sharing concept incorporated into the agreement, the $580 million will be divided during the initial 5-year cycle as shown below:

[In millions of dollars]

	United States	Germany	Total
Investment costs	195	155	350
Annual recurring costs	90	140	230
Total	285	295	580

General DAWKINS. Mr. Chairman, could I add one quick amplification?

This addresses your question of what has changed this year that might cause this committee to take a different view. I do not believe we did a very good job in the past of making clear the extent to which the equipment that will be used with these 93,000 reservists will be mobilized from the German civilian economy and the fact that the equipment we are talking about procuring is a very small amount of specialized, marginal equipment.

Because of that fact, we think it is incorrect to view this as equipping German reservists rather than equipping United States reserve components.

Senator STEVENS. We have trouble from the point of view it appears to be a new facet of our relationship in Europe. It is going to cost us somewhere now about a half billion dollars every 5 years.

We have gone up in our commitment, the cost of our commitment to NATO. This would be an agreement that would evolve. I assume it would be triggered for an extension and then another extension and would be part of our relationship with Germany, would it not?

Mr. GROOVER. Yes, sir.

Let me clarify two points, if I may.

The $580 million is not U.S. cost. That is the total cost to both the United States and Germany. That includes the initial investment cost. After the first 5-year implementation period the annual recurring costs are approximately $60 million a year total.

The U.S. share of the annual recurring costs is on the order of $20 million a year.

Second, sir, we very much hope that this agreement will remain in force for the foreseeable future because it does provide us support capability that would be absolutely crucial to us in wartime.

ARMY WEAPONS REQUEST

Senator STEVENS. I have some specific details. There is reference to $1.3 million for weapons. From what I understand, it is support equipment.

We would like details of the weapons involved in the Army's request for equipment and also further explanation of the type of equipment that will be necessary for the Air Force, $2.3 million for Air Force equipment.

How do they get involved in this host nation support concept?

Mr. GROOVER. As Secretary Weinberger indicated, there is to be a total of about 93,000 German reservists organized into these units. About 42,000 of these will support just the U.S Army. There are about another 12,500 of them that will support the U.S. Army and Air Force.

The reason we lump these together is because there are certain functions where it does not make much sense to try to discriminate between services. An example is the casualty evacuation function. Those units are being organized to serve a specific geographical area. They will be prepared to evacuate the casualties that we incur regardless of whether they are Army or Air Force personnel.

Another 28,000 of the 93,000 spaces will be dedicated wholly to support of U.S. Air Force units over there. Examples of the kind of support to be provided exclusively to the Air Force would be such things as battle damage repair of runways and air base security. In addition the agreement provides for a command and control and training base totaling approximately 10,000 men.

Colonel BARTHELLO. Also, we will have a security communications site, one ammunition storage site as well as the reception at our collocated operating bases in Germany.

Senator STEVENS. We will submit specific questions again.

POMCUS

On POMCUS we asked that there be a review of alternate uses of these sites?

Was that made?

General O'CONNOR. Are you asking if we completed a review of alternatives to POMCUS five and six?

Senator STEVENS. Alternative uses for the POMCUS sites that we have already acquired?

Mr. GROOVER. The Army has completed that. I think General O'Connor has the details.

General O'CONNOR. Yes, sir, we have completed the requested study reviewing possible alternative uses for those sites. The study is now being staffed, both in Washington and in Europe, to determine if that alternative plan is feasible. We are in the final stages of completing the coordination of the plan.

However, we still believe that it is in the U.S. best interests for you to grant the authority to pre-position POMCUS sets five and six in order to meet the U.S. commitment to have 10 divisions in Europe in 10 days.

POMCUS STUDY

Senator STEVENS. When are we going to get some results from the request? Why should we be asked now in the same fiscal year to approve the POMCUS money if that study has not been made?

General O'CONNOR. Sir, Congress was provided an interim response in early February. We believe that the 10 divisions in Europe in 10 days, a commitment that this country made in 1979, remains our most cost effective method of deterring the European threat.

Senator STEVENS. Did anyone ever come to Congress and ask for the dollars for that, General?

General O'CONNOR. Sir, although I am not sure, I don't think so.

Mr. GROOVER. Mr. Chairman, let me clarify.

The study that the Congress asked for has been completed. The U.S. Army in Europe has developed an alternative plan for using those facilities in the event that the Congress does not allow us to fill POMCUS sets five and six.

Senator STEVENS. Do we have a commitment for 10 divisions in 10 days?

General O'CONNOR. Yes, we have a commitment for 10 divisions in 10 days.

NATO LONG-TERM DEFENSE PLAN

Senator STEVENS. Is there an agreement to that effect?

Mr. GROOVER. Yes, sir. The NATO heads of state in 1978 agreed to something called the NATO long-term defense plan.

One of the provisions of that plan was that the United States committed itself to provide 10 U.S. divisions on line in Europe on D-day, with D-day assumed to be M plus 10 days.

We would meet that 10-division commitment with 4 divisions that are currently forward deployed in Europe and with the other 6 divisions being supplied with POMCUS sets.

We have had three sets of POMCUS in Europe for some time. We have just about finished establishing the fourth set. POMCUS sets five and six, which are at issue, are scheduled to go into Holland and Belgium to constitute a reserve corps for SACEUR which he thinks is absolutely essential for an adequate deterrent and defense capability.

Senator STEVENS. Would you give us a copy of that agreement and the supporting papers?

Mr. GROOVER. LTDP?

Senator STEVENS. Yes.

Mr. GROOVER. Yes, sir. I will be happy to provide supporting documentation on the LTDP. The program is not contained in or represented by one, or even several, comprehensive documents. It represents an ongoing process of upgrading the alliance's defense capabilities in 10 functional areas.

Senator STEVENS. We have taken a new commitment for Mideast security. That was announced by President Carter.

Is there any commitment in connection with the Mideast agreement?

Mr. GROOVER. No, sir, not to my knowledge.

MIDEAST COMMITMENT FROM POMCUS SITES

Senator STEVENS. Has there been any consideration given to making the POMCUS sites such that they would be available to assist us in meeting the Mideast commitment as well as the NATO commitment?

Mr. GROOVER. Of course the equipment that is stored in those POMCUS sites is U.S.-owned equipment. We would expect that equipment to be available to us should we find it necesssary to withdraw it for use elsewhere.

Senator STEVENS. Maybe it would be better to station it in Spain and Portugal and they could go either way is what I am saying.

Have we ever looked at the commitments we are getting into around the world in terms of the cost to the taxpayers forever if we keep these up?

Mr. GROOVER. The sites for POMCUS five and six were chosen in Holland and Belgium because that is the place that General Rogers says he needs to have a two-division Reserve corps to enable him to implement his defensive strategy to defend Western Europe.

Senator STEVENS. How ready are our first four sets? Are they established and ready and usable now?

Mr. GROOVER. There are really two dimensions of that which you have to look at, sir.

One is the question of the extent to which all of the authorized equipment is in place in each of the four sites. In that dimension there are a few shortages in the first three sets.

There are several shortages in set four because we are still in the process of filling it up. Set four is probably [deleted] filled now on the basis of aggregate dollar value.

The second dimension you have to look at in talking about the readiness of those sets is the condition of the equipment in the sets. I think it is safe to say that the equipment in all four of the existing sets is in quite good condition.

I have not personally visited all four sites. I did visit site four about a year and a half ago and the equipment there is in superb condition. It is all stored in humidity-controlled warehouses, maintained periodically, well cared for and it is parked and ready to be issued to the troops and driven out of those facilities very quickly in a crisis.

READINESS

Senator STEVENS. We visited some of them, too, I might say. We heard different comments about readiness and about who would drive them out in time of emergency. That is why I asked about host nation support.

I really don't know that there is the connection that the Secretary indicated there was between host nation support and POMCUS. That is not what we were told when we were there.

Who is going to get them ready when we start coming over?

Mr. GROOVER. There are people in place who maintain those sites right now. U.S. Army units are responsible for maintaining and overseeing those sites in peacetime. They would ready the equipment for issue.

Of course the troops assigned to the divisions in the United States that would fly over to fall in on the equipment would be the ones that by and large would drive that equipment out of those facilities and move to their preplanned positions for the defense of Western Europe.

The POMCUS and HNS programs are linked in the sense that when we committed ourselves under the LTDP to increase our reinforcement capability, the European allies agreed that they would provide additional support capability to those U.S. units. The wartime host nation support agreement is in partial satisfaction of that commitment that the allies made to provide the additional support to us.

General O'CONNOR. Mr. Chairman, I bevieve you were briefed on POMCUS and deployment plans during your recent visit to Europe. They may have told you about a plan for those POMCUS sets in which the divisions in the states would send an advanced party over, generally very early, within about 48 to 72 hours to process and disperse the equipment.

Those people would take the equipment out to designated dispersal sites where the equipment would await the arrival of the main body. These dispersal sites have been selected with an eye to reducing the vulnerability of that equipment while the main body closes in Europe.

Senator STEVENS. General, I just don't expect to get a valentine telling us to get ready 5 days in advance. That is the only trouble. When we talked to your troops over there and asked what they would do, would they help get their dependents out or get the things out of the POMCUS sets, you should have seen their faces.

The whole concept of this plan has turned into a Maginot Line as far as I am concerned. I don't expect the Russians to give you 5 days warning. It will work fine if they do.

I see a lot of money going in over there and our reservists over here being left out. Even with the comment about how much they are going to get in terms of the future, I am not sure they will be as well supplied as people in Europe are already.

Let me turn to specialty metals. I am sorry to keep you so late.

STATEMENT OF LT. COL. RICHARD W. DOUGLASS, U. S. AIR FORCE, STAFF SPECIALIST, OFFICE OF THE DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION MANAGEMENT), OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING

SPECIALTY METALS

Senator STEVENS. What is the urgency of this request? We are halfway through 1983 and you want to change the 1983 bill.

Why can't we wait until 1984? Has existing language had that kind of impact on procurement?

Colonel DOUGLASS. It is not having an impact on procurement. It is really a problem of visible reaction to a cooperative program. We have at risk joint programs for sales to our NATO allies, worth something like $7 to $10 billion over the next 10 years.

The perception in Europe, and I am sure you are aware of it, is that we are no longer going to allow participation by their industry in a joint program because of this type of restriction.

Senator STEVENS. Colonel, I don't need to get into an argument with you about who is spending money in Europe and who isn't. A report came out which indicates they will have 1 to 1.6 percent real growth in defense spending over there.

I am inclined to think that until they really carry out their commitment, the two-way street policy really isn't that effective an argument up here.

What about our compromise language from last year? Would that still meet the problem?

Colonel DOUGLASS. No, sir, because the compromise last year addressed weapons or weapon systems procured from them. In fact, in the joint programs we don't buy a complete weapon system from them. We buy parts or components in the joint program.

It has been the interpretation of our General Counsel that the language prohibits us from a cooperative program. What we are looking for is language which would allow us to purchase parts and components for defense items in lieu of weapons or weapon systems.

EFFECT ON SPECIALTY METALS INDUSTRY

Senator STEVENS. What about our specialty metals industry? What is going to happen to that if we don't have this provision?

Colonel DOUGLASS. Sir, as best we can determine, defense uses no more than 3 or 4 percent of the total specialty metals. Out of that 3 or 4 percent we are talking about 3 percent of that amount being involved in cooperative programs.

So, the amount, as the Secretary testified earlier, is somewhere around $5 million out of the $200 or a little more than $200 million

that we spend, which is just a fraction of the industry problem, itself.

So, our perception is that the real solution to the specialty metals problem lies outside of the Defense Department. It lies within the special trade representative in the commerce area. I believe right now, according to what I have read recently, that quotas are being addressed in that area that we feel would be a much more appropriate solution to the problem.

FUNDING INVOLVED IN SPECIALTY METALS

Senator STEVENS. I am advised that half of the total defense budget is aimed at support of NATO.

How much money is involved in this specialty metals issue?

Colonel DOUGLASS. Again, sir, I would say what we are talking about as far as U.S. industry is concerned is something on the order of $5 million. For $5 million we are putting at risk something on the order of $36 to $60 million of U.S. specialty metals that go into the 3 to 3.5 billion dollars' worth of equipment that they bought last year. In the long run if they do not buy from us or enter into cooperative programs with us, we stand to lose $7 to $10 billion in sales over the next 10 years.

Senator STEVENS. You are saying unless we take out the specialty metals provision, the allies will cease buying military equipment from us?

Colonel DOUGLASS. I am not saying that they will cease buying all equipment from us.

What I am saying is that they have alternatives and the alternatives are significant.

Senator STEVENS. What alternatives do they have to our support for NATO, Colonel?

Colonel DOUGLASS. Sir, I would defer to the Department policy people for an answer on that.

Senator STEVENS. I can understand why.

General, I understand that you are really asking for restoration of four items that were taken out last year in order to make the budget limitation.

I have to tell you we are awaiting a study to see whether or not this is consistent with the budget as far as this subcommittee is concerned on any one of these items because we barely made our budget limitation last year.

The effect of your request is to reverse cuts that were made in order to comply with the budget resolution last year. I am going to await advice from the CBO as to whether or not there is any leeway before recommending any of these requests to the full committee.

Mr. GROOVER. Mr. Chairman, just let me make the observation that the three issues, POMCUS, HNS, and specialty metals, as I am sure you recognize, have very, very small dollar impact, but they have major policy implications in our dealings with our NATO allies.

Senator STEVENS. When we put that together, POMCUS, Pershing, and all the rest, there is a substantial increase in your appropriation request. Host nation support and POMCUS aren't that

great in terms of the request for this year. The commitment in the out-years is, though.

I think you will agree once we start this we have no discretion after that.

Mr. GROOVER. It will be an item that is in our budget. The annual recurring costs of POMCUS sets five and six will continue to be relatively small because we are not talking about the procurement money to buy equipment to fill those sets.

What we are talking about is the relatively small amount of money necessary to transport the equipment over there and to maintain it in storage.

Senator STEVENS. We understand that. We appreciate your pointing it out.

ADDITIONAL COMMITTEE QUESTIONS

Thank you very much, gentlemen. We will submit the other questions.

Mr. GROOVER. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

PERSHING II TEST FLIGHT DATA

QUESTION: Please review Pershing II flight tests to date and review for the Committee the problems and successes demonstrated by those tests.

ANSWER: The requested table is provided below:

PERSHING II TEST FLIGHTS

FLT NO.	DATE	CONFIGURATION	LAUNCH SITE	RANGE	RESULTS	REMARKS
1	22 Jul 82	Two Stage	AFETR	Long	Failed 14 Sec. into flight.	Corrective Action - Improved process control and tooling. No design changes required. Fix demonstrated on all subsequent flights.
2	19 Nov 82	Two Stage	WSMR	Short	Successful; Primary objectives achieved. 2nd stage impact problem occurred. RV hydraulic system failure.	Corrective Action - Second Stage impact problem (non-tactical) still being evaluated. RV hydraulic system failure resolved by minor design changes. Demonstrated on all subsequent flights.
3	21 Jan 83	Two Stage	AFETR	Long	Successful; Primary and Secondary objectives achieved.	
4	9 Feb 83	Two Stage	AFETR	Max.	Successful; Primary and Secondary objectives achieved.	
5	26 Feb 83	Single Stage	WSMR	Short	Successful; Primary and Secondary objectives achieved. RV impact within required accuracy.	Single stage missile performance also demonstrated.

PERSHING II TEST FLIGHTS

FLT NO.	DATE	CONFIGURATION	LAUNCH SITE	RANGE	RESULTS	REMARKS
6	13 Mar 83	Single Stage	WSMR	Short	Successful; Primary and Secondary objectives achieved. Anomaly (No warhead functioning) occurred. RV impact within required accuracy.	Corrective Action - Cause of warhead problem identified as blockage in exhaust system on AK generators. New inspection/ checkout procedures instituted to prevent recurrence of problem.
7	28 Mar 83	Two Stage	AFETR	Long	Successful meeting all objectives. Two anomalies occurred-stuck reaction control valve and loss of Magnetron output during flight.	System was robust enough to overcome anomalies and achieve flight objectives.
8	10 Apr 83	Two Stage	AFETR	Long	Successful; Primary test objective met. Radar anomaly (did not function for 1.7 seconds during terminal phase).	Radar anomaly would not have degraded system accuracy. Warhead adaption kit that malfunctioned on sixth flight performed satisfactorily.
9	24 Apr 83	Single Stage	WSMR	Short	Successful; test objectives achieved. Warhead adaption kit anomaly - fire	Cause of warhead problem under investigation.

PERSHING II TEST FLIGHT DATA

PERSHING II TEST FLIGHTS

FLT NO.	DATE	CONFIGURATION	LAUNCH SITE	RANGE	RESULTS	REMARKS
					signal sent too early. RV impact within required accuracy.	

PERSHING II PRODUCTION

QUESTION: What events must occur before the Army can make a full production decision on Pershing II?

ANSWER: The Army is already in full-scale production of the Pershing II. The Department of Defense authorized this full-scale production of the Pershing II in June 1982. The fiscal year 1983 and 1984 President's budgets have requested procurement funds to sustain this full-scale production.

PERSHING II OPERATIONS

QUESTION: What are the risks and operational hazards to US forces, other allied forces, and non-combatant population in Europe from the operational use of the Pershing II without full scale testing in advance of deployment?

ANSWER: Full-scale testing, with the possible exception of a two-stage overland flight test against a land target, will be complete prior to deployment. The large amount of testing of the individual components, assemblies, and subsystems, in conjunction with the flight test program, will serve to certify and validate the performance of the missile system over its entire flight envelope.

The Engineering Development flight test program is being executed on the assumption that there will be no two-stage, overland flights. The test plan alternates long-range, two-stage flights over water, to demonstrate dynamic performance, with single-stage, short-range flights against land targets to verify correlator performance and system accuracy. This program is the technical equivalent of a program containing two-stage overland flights.

While two-stage flights against land targets would obviously be a confirmation, without any restrictions, of the results gained in the current test program and all of the subsystem testing, we do not consider it operationally or technically necessary to conduct these flights. Thus, while there are always risks and operational hazards associated with the deployment of a complex tactical missile system, we do not feel that these risks will be excessive or out of the ordinary for Pershing II.

PERSHING II PRODUCTION

QUESTION: The Department tells us the 1983 Pershing production contract will have to be terminated by about May 15 if this supplemental funding is not approved. What is the situation exactly?

ANSWER: A significant amount of the fiscal year 1983 funds appropriated for Army missile procurement have been held in reserve to cover Pershing II obligations incurred in October 1982, under the authority of the first Continuing Resolution Amendment. Because of the scheduled contract award dates and the need to obligate funds for missile systems other than Pershing II, these funds cannot be held in reserve for very much longer without delaying contract execution and causing serious damage to these other programs. We have said that we cannot continue PII production beyond May 15 without supplemental funding. Presently, because of the House Appropriations Committee Defense subcommittee favorable recommendation on the Pershing II portion of the fiscal year 1983 supplemental, we are investigating ways to sustain PII production, without seriously affecting other programs, until Congressional action on the supplemental is complete.

QUESTION: The Secretary of Defense has stated it will cost an additional $330 million if the Pershing production program has to be terminated and then restarted in fiscal year 1984. On a year-by-year basis, specify how and why the $330 million would be required.

ANSWER: If the fiscal year 1983 supplemental request is not approved, the fiscal year 1983 Pershing II production contract will be terminated. Once this occurs, it will not be possible to execute a new contract until fiscal year 1984. The Army has looked at the consequences of such action, and while there are a great many ways to restructure the program, the leading option is one that limits fiscal year 1983 liabilities to $150 million in termination costs and incurs a total program cost growth of over $360 million. The yearly profile for this program is as follows: ($M)

	FY82	FY83	FY84	FY85	FY86	FY87	To Complete	Total
Current program	229.5	478.6	432.8	445.2	(D)	(D)	(D)	(D)
Msl Qty	21	91	95	104				
New program	229.5	150	540	600				
Msl Qty	21	0	50	120				
Program change	0	-328.6	+107.2	+154.8				
Msl	0	- 91	-45	+16	(D)	(D)	(D)	(D)

QUESTION: Would the Army have to absorb the estimated $150 million contract termination cost this year if supplemental funding is not available? If so, how would the cost be absorbed?

ANSWER: Should the fiscal year 1983 contract be terminated, the Army, in the absence of a Department of Defense reprograming initiative, would have to absorb the $150 million in termination liability.

The termination liability would have to be financed at the expense of other Army missile programs funded from the same appropriation account.

QUESTION: What would be the impact on fiscal year 1984 and 1985 Defense budgets if Congress did not provide Pershing II production money in fiscal year 1983?

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ANSWER: Assuming that Pershing II (PII) production would begin at the start of fiscal year 1984, it would require a greater amount of money than is currently planned to execute an efficient restart program. We estimate that approximately $100 million and $150 million, respectively in fiscal year 1984 and fiscal year 1985, would be required to execute this new program which would build 50 missiles in fiscal year 1984 and 120 missiles in fiscal year 1985.

PERSHING II SUPPLEMENTAL REQUEST

QUESTION: When Congress deferred $498.3 million in production funding for Pershing II last year, $30 million was provided in the Army's O&M account to cover fielding expenses for prior year missile production. The pending supplemental request seeks $478.6 million, or a 1983 total of $508.6 million. Why is an additional $10.3 million now required?

ANSWER: An additional $10.3 million is not being requested. The fiscal year 1983 Pershing II procurement request was for $498.3 million for procurement and $10.3 million for initial spares. When the Congress deferred the $498.3 million in production funding, the $10.3 million for spares was also deferred. The $478.6 million supplemental includes $468.3 million for missile and ground support equipment production and $10.3 for initial spares.

European Reaction to Funding Cut

QUESTION: In your judgment, what would be the reaction in Europe if Congress failed to provide 1983 production funding for PERSHING II? Would it jeopardize plans to deploy PERSHING II and the ground launched cruise missile in Europe?

ANSWER: By failing to provide FY 1983 production funding for the PERSHING II program, Congress would not only undercut the credibility of the US negotiating position in the Geneva Intermediate-Range Nuclear (INF) Forces negotiations, but also would create substantial if not unmanageable political problems for the governments of European INF basing countries. Both the Soviet Union and our European Allies are watching US actions to implement fully the Alliance's INF deployment plan. Our arms control initiatives will carry little or no weight with the Soviets if we falter now in carrying forward with the Alliance's plan for PERSHING II and GLCM deployments. This would remove any incentive the Soviets would have to bargain seriously in the INF negotiations.

By cutting back now in the PERSHING II program, the US also would send a message to West European governments that the US is wavering in its determination to fully implement the Alliance's plan to deploy PERSHING II and GLCM on schedule in Europe. Any apparent flagging of Congressional intent to fund PERSHING II deployment, would put tremendous pressure on governments of the INF basing countries to delay or halt entirely missile deployments in their own countries.

Pershing II deployment

How do you think this development will affect plans to deploy the PERSHING II in Europe?

While the suggestion on May 3 by General Secretary Andropov

to include warheads as a measure in the INF negotiations represents a step in the right direction, progress toward establishing a counting rule is not the same as progress toward an agreement. Only a concrete arms control agreement reducing and limiting LRINF missiles will affect PERSHING II deployments.

Russian Posture and PII Deployment

QUESTION: Is the more reasonable Russian posture likely to sway our NATO Allies from their agreement to accept PERSHING II weapons on their soil?

ANSWER: It remains to be seen whether the May 3 remarks indicate a "more reasonable Russian posture." The net result of their proposal would be to drive the US nuclear deterrent forces from Europe, and allow the Soviets to retain their monopoly in LRINF missiles opposite NATO. The Federal Republic of Germany, the only country to receive PERSHING II, remains firmly committed to the scheduled deployment, and will not be swayed by hollow gestures on the Soviets part.

BENEFITS OF AGREEMENT

QUESTION. Last year the House argued that the Wartime Host Nation Support program should be considered a foreign military assistance budget request. What's wrong with that approach?

ANSWER. The argument that we should include the WHNS program as a part of the foreign military aid budget reflects a fundamental misunderstanding of the nature of the WHNS program. This is, in no sense, a "foreign aid program;" the program is for our benefit and was negotiated at our urging. Furthermore, under the WHNS arrangement, the U.S. retains title to all equipment procured for use by Bundeswehr Reservists in support of U.S. Forces in Europe. The United States would lose title to that equipment if it were transferred through the foreign military sales program.

QUESTION. What are the advantages of keeping title to the U.S. equipment if it is solely for West German use?

ANSWER. By retaining title to the equipment procured for use by German Reservists in support of U.S. Forces in Europe, the United States retains ultimate control of the equipment and the uses to which it will be put. [Deleted.]

QUESTION. Why isn't it to our advantage to use the funds requested for host nation support to upgrade our own reserve units?

ANSWER. The United States is committed to improving the readiness of our Reserve Component units. Although we have made progress in this regard, we recognize that it will take several years to raise Reserve Component readiness to satisfactory levels. U.S. Reserves and the National Guard provide the backbone of our military capability, but a sufficient number of units cannot be mobilized and transported to Europe in time to support our ten-division D-Day force commitment to NATO. Therefore, we should

take advantage of this opportunity to fill a critical gap in U.S. combat service support capability with the highly cost-effective wartime host nation support solution we have negotiated with Germany.

QUESTION. Why not apply the West German contribution to this agreement to strengthening the Germans' own conventional combat capability?

ANSWER. Although linked to the provision that the United States will reinforce the four currently forward-stationed U.S. divisions with six other divisions within ten days of mobilization, a significant portion of the 93,000-man Bundeswehr reserve force is designed to provide logistics support from the outset of mobilization to those U.S. divisions stationed in the theater. This is necessitated by both the significant shortage of combat service support and combat support in the force structure of U.S. Forces in Europe and by the inability to mobilize and transport sufficient logistical elements to Europe, either via air or sealift, in sufficient time to insure the combat units there have available the minimum logistical support necessary for conducting combat operations. [Deleted.]

QUESTION. The West German Reservists would be activated in wartime to provide logistics support for U.S. troops in Europe. Would the Reservists provide any logistics support for West German troops? Is any portion of their designated mission dedicated to support of West German or NATO forces other than U.S.?

ANSWER. The German reservists to be provided under the Wartime Host Nation Support Agreement are organized in units solely in support of U.S. units. They will not support German or other NATO forces.

QUESTION. The Department has indicated other similar host nation support agreements are being explored with other NATO partners. What is the status of those studies, and what kind of U.S. obligation are we looking at down the road?

ANSWER. The United States is pursuing arrangements for wartime host nation support with all of our major NATO partners. None of these arrangements require obligation of U.S. funds in peacetime since the support to be provided by the Allies comes from the civil sector.

URGENCY

QUESTION. Supplemental requests have traditionally been restricted to urgent, previously unbudgeted requirements or new essential program requirements. Since Congress has already denied FY 1983 funding for this program, what has occurred in the past six months to justify reconsideration in a supplemental bill?

ANSWER. In order to activate German reserve units in October 1983, the Germans have informed us that they must know by June 1, 1983, if United States funding will be available. Because of the uncertainty of U.S. funding, the German Bundestag (legislature) has limited the expenditure of German funds already appropriated for 1983.

QUESTION. The justification materials indicate that denial of these supplemental funds may result in a one-year slippage of some portions of the program. Please be more specific. Exactly what would be the impact of letting any initial funding await the regular FY 1984 appropriation bill?

ANSWER. If U.S. funding is delayed until the regular FY 1984 appropriation bill is passed, there is a very high probability that the German legislature will not approve German funding for 1984, thus slipping proposed 1983-84 unit activations until 1985. The Germans have told us that they must know by 1 September that U.S. funding will be available for 1984.

Since defense appropriations actions have not been completed as early as September in recent years, the Secretary of Defense made the decision to seek FY 1983 supplemental funding for this very important program.

AGREEMENT DETAILS

QUESTION. Provide a programmatic description of the April 15 War Time Host Nation Agreement which provides for the establishment, equipping, and training of 93,000-man Bundeswehr Reserve element to provide logistic support to U.S. forces in time of war. Specifically identify the units by type and size (number of personnel each and the quantities of equipment required) and the years of establishment. For each unit, identify the Service, unit, and installations to be supported.

ANSWER. The U.S.-German Wartime Host Nation Support (WHNS) Agreement of April 15, 1982, provides for the establishment of the 93,000-man Bundeswehr reserve force over a period of five years, beginning in 1983, on the basis of a joint U.S.-German feasibility/implementation study, scheduled to be completed at the end of this year. Contingent upon enabling legislation and the availability of funds, the U.S.-German planning staffs have developed plans for the 1983 activation of two security companies and eight platoons for U.S. Army support and one security platoon and personnel/materiel augmentation at five collocated operating bases for U.S. Air Force support. The wartime strength of these units is as follows:

	Army	Air Force
Security Co.s	396	-
Security Plts.	360	45
COBs	-	3,064
		TOTAL 3,865

Unit activations for 1984 are in the final planning stages and include: (For the U.S. Army) four security companies, one security platoon, three casualty evacuation battalions, four transportation battalions; (for the U.S. Air Force) three COB squadrons, ADR elements at eight COBs, three security companies, nine security platoons, and one casualty evacuation battalion. The wartime strength of these units is as follows:

	Army	Air Force
Security Co.s	792	594
Security Plts.	45	405
Casualty Evac. Bns.	2,417	584
Trans. Bns.	3,120	-
COB Squadrons	-	1,986
ADR at COBs	-	1,864
		TOTAL 11,807

Tentative equipment purchases for both 1983 and 1984 also have been identified. Army requirements are:

Army Requirements

ITEM	FY 83 QUANTITY	FY 83 COST($M)	FY 84 QUANTITY	FY 84 COST($M)
M-60 Machine Gun			368	1.10
Wrecker, 5-Ton			2	.31
Forklift, Rough Terrain			151	10.24
Truck, 5-Ton	20	1.39	25	2.07
Truck 2½-Ton	32	1.57	34	1.67
Truck, 1¼-Ton			39	.16
Truck, 1¼-Ton	30	.49		
Kitchen Trailer			60	.90
Trailer, 5000 Gal, POL			114	5.70
Ambulance			7	.05
Radios		.90	136	.77
Decon Equipment		.59	45	.58
Camouflage Nets		.02		
Night Vision Goggles			200	1.45
TOTAL		4.96		25.00

Air Force Requirements

ITEM	FY 83 QUANTITY	FY 83 COST($M)	FY 84 QUANTITY	FY 84 COST($M)
M-60 Machine Gun	4	.01	72	.21
Truck, 5-Ton			1	.07
Fuel Truck, 5000-Gal,R9	9	.94	12	1.3
Forklift, 10,000 LB	11	.46	5	.21
Loader, A/C, 25K LB	3	.43	3	.43
Tractor, A/C TOW, MB-4	7	.21	4	.12
Tractor, TOW, MB-2			1	.07
Trailer,Water,400-Gal	5	.02	3	.01
Carryall, 1½-Ton			4	.04
Vehicle, ½-Ton			3	.02
Truck, 2-Ton	3	.1		
Crane, 7½-Ton	2	.16		
Tractor, AGE	12	.16	11	.15
Tractor-Trailer	7	.28	7	.28
Trailer, Combo. 25-Ft.			7	.90
Trailer, 4-Ton			6	.03
Radios	5	.01	33	.04
Weapon, AT, Hvy	4	.01	90	.27
Maint. Shop			1	.06
Tool Sets			6	.07
Weapon Site, IR			36	.13
Telescope, IR			36	.06
Conversion Kit, Ambulance			1	.01
Decon Equipment, Misc.		.27		.06
Misc. Organizational Equip.		.15		.06
TOTAL		3.21		4.60

The U.S. planning staff has proposed an activation schedule for the years 1985 through 1987. It must be noted, however, that this proposal is subject not only to completion of the joint implementation studies but will be affected by the Congressional decisions involving the FY 83 Supplemental Request, the FY 84 budget request, and subsequent Congressional action insofar as

the years 1985 through 1987 are concerned. Generally, planned activations for the Army, by year, are:

1985	
Ammunition Units	Resupply II
Engineer Construction	Civ Spt Conv.
Maint/Supply	Civ Spt Conv.
Smoke Generation	Civ Spt Conv.
Petroleum Ops	Resupply II
Heavy Equipment Transport	Resupply II
Supply and Services	Resupply II and Civ Spt Conv.
Terminal Transfer	Resupply II
Transportation	Resupply II and Civ Spt Conv.
Transport/Mat Handl.	Trans/Mat H.
1986	
Engineer Bridge	Civ Spt Conv.
Guard, Maintenance	Civ Spt Conv.
Heavy Equipment Trans	Resupply II
Maintenance	Civ Spt Conv.
Decontamination	Decontamination
Petroleum Support	Resupply II
Supply, Terminal Transfer	Resupply II, Civ Spt Conv.
Transportation	Civ Spt Conv.
Ordnance	
Support	
1987	
Guard/Security	Civ Spt Conv.
Heavy Equipment Trans	Resupply II
Decontamination	Decontamination
Petroleum Support	Resupply II
Signal Construction	Civ Spt Conv.
Supply	Resupply II, Civ Spt Conv.
Enemy Prisoner-of-War Guard	EPW
Medical Evacuation	Casualty Evacuation
Supply/Services	Resupply I

Planned activations for the Air Force, by year, are:

1985	
Personnel & Equipment Spt at 5 remaining COBs	Collocated Operations Base (COB) Spt
1986	
ADR Spt at 5 MOBs	Airfield Damage Repair(ADR) Spt
1987	
ADR Support at APODs Canadian COBs and 2 additional COBs (total of 6 locations)	Airfield Damage Repair(ADR) Spt

Specific locations for German units to be activated are dependent on completion of the feasibility/implementation study and a joint determination of specific facilities available. That applies equally to the specific U.S. unit to be supported by the German reserve elements.

QUESTION. Over the life of this agreement, specify by year the cost of this program for both the German and the U.S. governments. For proposed U.S. support costs, identify the proposed funding source by appropriation each year.

ANSWER. From inception of the program, an estimated cost of $(M) 580 in FY 83 dollars has been used for the initial 5-year period. Thereafter, it is estimated that annual recurring costs will amount to approximately $(M) 46 per annum. The $(M) 580 for

the first five years of the program consists of an estimated $(M) 350 investment cost which includes funds for procurement of individual and unit equipment, and the establishment of unit and training facilities, as well as an estimated $(M) 46 per annum for a total of $(M) 230 for the first five years to pay the civilian and military salaries of personnel who form the peacetime cadre for the German Reserve equipment-holding units that comprise the 93,000-man force.

Under the cost-sharing concept incorporated into the agreement, the $(M) 580 will be divided during the initial 5-year cycle as shown below:

	U.S.	Germany	Total
Investment Costs:	$(M)195	$(M)155	$(M)350
Annual Recurring Costs	$(M) 90	$(M)140	$(M)230
TOTAL	$(M)285	$(M)295	$(M)580

Following the initial 5-year cycle, the annual operating costs of $(M) 46 will be shared by the U.S. paying a total of $(M)18 per annum of which $(M)11 is for civilian pay and the remaining $(M)7 for operations and maintenance costs, while the German contribution will consist of $(M) 28 per annum to pay peacetime military salaries and military training costs.

With the exception of funds required for the procurement of those equipment items not available from civilian sources under the Other Procurement Army, Army, and Other Procurement, Air Force, Accounts (to include a small amount of funds to be reprogrammed into the Weapons and Tracked Combat Vehicles Accounts from the OPA Accounts) during the first five years of the program, all other costs will be paid from the Operations and Maintenance Accounts of the Army and Air Force, respectively.

QUESTION. Provide a listing of all assumptions agreed to incident to the signing of this agreement.

ANSWER. The following assumptions underlie the U.S.-German Wartime Host Nation Support (WHNS) Agreement of April 15, 1982:

1. Host nation support enhances NATO defense capabilities during times of crisis or war.
2. The determination of a state of crisis or war is subject to a joint U.S.-German decision.
3. Host nation support provided by Germany is subject to technical agreements on reinforcement exercises, civilian support, and military support, and the completion of appropriate feasibility studies.
4. Procurement in support of the Agreement is subject to a joint U.S.-German decision. The U.S. retains title to the equipment.
5. The Agreement is subject to enabling legislation and the availability of funds.

QUESTION. Briefly describe any other agreements, either consummated or pending, which are related either explicitly or implicitly to the execution of this Host Nation Support Agreement.

ANSWER. Implementation of the U.S.-German Wartime Host Nation Support (WHNS) Agreement requires the negotiation of subordinate technical agreements on reinforcement exercises, civilian support, and military support. A Reinforcement Exercises Agreement was signed on January 21, 1983. This Agreement provides for the exercise of German equipment-holding units, including those units created in the Bundeswehr Reserve under the terms of the WHNS Agreement. This Agreement also allows for the exercising of

reinforcing units, such as the annual REFORGER Exercise. The U.S. and Germany currently are negotiating the terms of a Civilian Support Agreement, under which Germany will provide to U.S. Forces in wartime civilian support to include transportation, maintenance and repair services, materiel handling, subscriber telephone and teletype equipment, facilities for wartime stationing, expendable supplies and food supplies, civilian labor, draft exemptions from military service for the German civilian workforce supporting U.S. Forces, and materiel mobilization augmentation.

Based on current planning, the Military Support Agreement will be the last of the three supporting agreements to be negotiated. We hope to complete work on the Civilian Support Agreement by early 1984, and on the Military Support Agreement by end-1984. This Agreement will include the detailed activation schedule for the full five-year implementation period. Since the basic agreement, signed last year, addressed major policy issues such as costsharing, and included a list of type units (Annex 1), we do not see any advantage in waiting for signing the Military Agreement before organizing units. The German government agrees with this position and formed a 30-man team in January 1982 to develop German plans for activation, based on the assumption that funds would be provided by both governments in 1983. For activations in 1983 and 1984, planning staffs of both countries have all of the information needed.

EQUIPMENT DETAILS

QUESTION. With respect to the Army's request for $4.9 million, identify specifically what "weapons" will be bought for $1.3 million. Explain how these weapons can be procured with funds from the Army's Other Procurement Account.

ANSWER. The current equipment requirements list has been changed from that submitted with the FY 83 Supplemental justification and does not include a $1.3 million purchase of weapons. Equipment data in support of the FY 83 Supplemental were an initial assessment of requirements by U.S. and German planning staffs. They were based on tentative tables of organization and equipment (TOE's) jointly under development. Considerable refinement of those TOE's has taken place in the interim. Further, equipment cost data used by the WHNS planning staffs were, in part, outdated. The current listing, included in a response to a separate question, represents the best estimate at this time.

Changes are as shown:

	FY 83 Supplemental	Revised Listing
Trucks & Trailers:	$(M) 2.09	$(M) 3.45
Weapons:	$(M) 1.30	-
Decon:	$(M) .10	$(M) .59
Communications:	$(M) 1.47	$(M) .90
Camouflage Nets:	-	$(M) .02
TOTALS -	$(M) 4.96	$(M) 4.96

QUESTION. With respect to the $3.2 million requested for the Air Force Other Procurement Account, specify the types of equipment to be purchased and their costs.

ANSWER. The Air Force equipment purchases planned are as follows:

Item	Quantity	Cost ($M)
M-60 Machine Gun	4	.01
Fuel Truck, 5000-Gal,R9	9	.94
Forklift, 10,000 LB	11	.46
Loader, A/C, 25K LB	3	.43
Tractor, A/C TOW, MB-4	7	.21
Trailer, Water, 400-Gal	5	.02
Truck, 2-Ton	3	.1
Crane, 7½-Ton	2	.16
Tractor, AGE	12	.16
Tractor-Trailer	7	.28
Radios	5	.01
Weapon, AT, Hvy	4	.01
Decon Equipment, Misc.		.27
Misc. Organizational Equipment		.15
TOTAL		3.21

QUESTION. Is it possible that as a result of direct HNS funding, such as you are proposing, the German Reserve units will be better equipped with more and newer equipment than similar U.S. Reserve units? If so, how do you justify such a policy in light of recent Congressional insistence on improving our Reserve Components?

ANSWER. In view of the ongoing U.S. buy/upgrade program for U.S. Reserve units and the small quantities of U.S. equipment to be procured for the German Reserve support units, it is very doubtful that the U.S. procurement will cause the German units to be better equipped than similar U.S. Reserve units. The Services are not diverting equipment from existing procurement programs for U.S. Reserves in order to equip the German Reserve support units. Consequently, new procurement actions for WHNS might result in some newer equipment being procured for some German Reserve support units. This will be a function of procurement contract awards, production leadtimes, and delivery schedules.

QUESTION. Why can't the equipment for the German Reserve be taken from our Reserves and replaced with new equipment to concurrently improve our own readiness?

ANSWER. In September 1982, the Air Force formed an Air Reserve Force Priorities Working Group to analyze and resolve differences in resource allocation priorities between Air Reserve and Regular Air Force units. The objective of the group was to update the USAF Priority System to provide proper precedence to early-deploying Air Reserve Forces commensurate with deployment closure requirements. Based on the results of the analysis, the overall precedence rating was raised for over 580 Air Reserve Force units. These changes affected over 35% of all Air Reserve Force units. The precedence rating of Regular Air Force and Air Reserve Forces has not been analyzed against the precedence rating of the West German Reserve units because the German data are not available. However, the Wartime Host Nation Support Agreement provides that the German Reserve units will be activated in crisis or war and must be available to U.S. in-place and reinforcing units at the onset of mobilization. This would indicate that the precedence of the German units is at least equal to that of Air Reserve and Regular Air Force units. The availability of this equipment and the German Reservists to operate it will not only reduce strategic airlift requirements, it also will enable USAF units to commence and sustain combat

missions earlier and longer than if the equipment were deployed concurrent with or after the tactical units. The Army has analyzed the priority of the U.S.-Germany Wartime Host Nation Support (WHNS) Agreement during the development of the Program Objective Memorandum. In order to develop a balanced, affordable Army procurement program, the Army prioritizes its procurement and research, development and test equipment programs. When funding levels are insufficient, lower priority programs either are not funded, or they are terminated. Therefore, recognizing that sufficient funds did not exist to satisfy all of the Army's equipment shortages, the decision to fund the WHNS Agreement was based on its relative priority and benefit to the total Army.

POMCUS

QUESTION. We understand POMCUS 5 and 6 storage sites will not be ready until March of 1984, the second quarter of FY 1984. What, then, is the urgency of this POMCUS supplement?

ANSWER. Although the first site at Hendrik, NL, will not be fully operational until March 1984, the Army must begin requisitioning the essential stock fund and expendable supplies and to provide the station-type furniture, vehicles, and other administrative equipment. The Army must also begin the training program for the initial group of local national personnel in order to have them trained and ready to receive equipment prior to March, 1984. The first group of trainees in a new POMCUS site requires nine months of training because individuals will be required to undergo supervisors' training at the end of a normal six-month training program.

QUESTION. Please tell the Committee exactly how the Department would spend the $5 million requested in the supplemental and explain why this cannot wait until FY 1984.

ANSWER. The $5M will be spent to provide salaries for the first 30 civilian workers, to purchase tool kits, test sets, office and warehouse administrative equipment, to provide consummable supplies, and to transport TDA-type items to the storage site in Hendrik, NL. Due to the time required to negotiate a contract for NL workers and the requirement to have trained personnel ready to receive equipment by March 1984, the supplemental request is urgently needed.

QUESTION. Congress also questioned the wisdom of tying up so much valuable military equipment in European storage when our own active and reserve units are not fully equipped. What is your response?

ANSWER. Since withdrawals from reserve units were terminated in February, 1981, the active and reserve forces have been receiving equipment to replace their losses. These units were never dropped below the equipment level they needed to conduct training. Three POMCUS Sets (DS 1-3) are combat-ready, the demand for critically short airlift has been reduced, and our capability to put forces in Europe has increased immeasurably. As we move forward with filling POMCUS from procurement, the active and reserve units also will continue to receive new equipment. New items must be sent to the unit first for training, and then POMCUS sets are filled from succeeding procurement so the sets match unit items on which the troops are trained. Fill of POMCUS Sets 5 and 6 will not be completed until 1987-88.

QUESTION. POMCUS is designed to store the same type of equipment used by Army units in the U.S. so that deploying troops will be using the same type of equipment in Europe in event of hostilities. Yet, we are told some of the equipment in sites 1 through 4 is not the same that user units are training with in the United States. What is the situation?

ANSWER. The cycle of issuing new items sometimes takes longer than desired due to limited production capability, available transportation, storage limitations, etc. The Army does not want new tanks in POMCUS until soldiers in CONUS units have completed training on the new tank. Normally, we want new items in POMCUS within a year after the POMCUS-designated active and reserve units receive them in CONUS.

Specialty Metals

Senator Stevens: Another congressional action last year that the Administration would like to overturn in this supplemental request involves the restriction on the purchase of foreign specialty metals in defense equipment. Again, we must ask what is the urgency of this request. With fiscal year 1983 more than halfway through, why can't this issue await the regular FY 1984 appropriation bill?

Answer: The problem is not primarily in the U.S. Appropriation cycle, but rather is the very strong perception by our NATO allies that the U.S. is moving away from cooperative defense programs. Planning for mutual existing and future programs cannot go forward without Congressional relief. We are placing at risk the near-term decisions needed in Europe for modernization programs based on U. S. designs. To put this in context, the best estimates we have are that $7-10 billion is at stake in the next 8-10 years. Obviously there are some programs where our allies and friends cannot find a solution outside the U. S. However, there are a number of programs such as the M-1 Tank and Anti-Tank Helicopter where there are other choices. Should the Europeans turn inward, and there are strong indications they will, due to signals such as the specialty metals legislation--U. S. industry has potentially 175,000 to 250,000 jobs at stake.

Senator Stevens: We are aware the Department believes quite strongly the specialty metals restriction undermines the so-called two-way street policy in defense purchases among the U. S. and its NATO partners. But don't European nations have their own restrictions on the importation of U. S. -produced specialty metals?

Answer: We would have to defer to the United States Trade Representative in regard to European nation restrictions on the importation of U. S. -produced specialty metals in the general trade area. However, from a defense trade viewpoint we have not been involved in any joint or coproduction programs where any of our MOU countries have requested or imposed any such restrictions. Furthermore, the responses we have seen to date to a Congressional survey of NATO countries on this subject indicate that none of them have such restrictions on defense trade items.

Senator Stevens: Congress and its Appropriations committees are reluctant to reverse a position in one bill that was extablished in another in the same fiscal year. What would be the impact if Congress deferred the specialty metals issue to the 1984 bill?

Answer: We entered into bilateral agreements on defense trade with NATO, Switzerland, Israel, Egypt and Australia which require the waiver by both sides of "buy national" restrictions to encourage defense industrial cooperation between our countries. These countries now see what appears to be a first step by Congress to essentially negate those agreements in a return to protectionism. Since the leadtime on developing cooperative programs takes several years and the disruptive effects of failing to continue such a program are so great on schedule and cost, those countries are reluctant now to enter in partnership with the United States if we cannot legally fulfill our commitments. Consequently the longer we wait to remove the restrictive language, the more likely it is that we will find NATO modernization programs concentrating on European systems rather than U. S. systems. The result will be less standardization and interoperability, greater expense for both sides and thesefore less real growth in fielded systems for the dollars spent, and obviously less work for employees of the U. S. Defense Industry.

Senator Stevens: If all or part of the specialty metals restriction is removed, what assurances do we have that the American specialty metals industry will be able to survive? Isn't it important to maintain our own industrial base in this critical area?

Answer: The DoD is only requesting relief for NATO and defense cooperation or offset countries which is only a fraction of the defense requirement for specialty metals. Since the DoD only uses 3-4% at the maximum of the U. S. annual production of specialty metals we believe that it is clear that defense requirements don't affect the survival of the industry. We do believe that it is absolutely essential to maintain an industrial base in this critical area, but it has to be for that 96-97% of the purchases made commercially. We understand that the International Trade Commission has made quota recommendations which appear to be the proper way to address this issue in lieu of restrictions on defense purchases in cooperative programs.

MULTI-YEAR AUTHORITY

QUESTION: Please explain why this multi-year authority is needed immediately and cannot await the regular 1984 Defense Appropriations Bill.

ANSWER: In order to preserve the Congressional prerogative to consider the B-1B multiyear procurement in the FY 1984 budget with the maximum achievable savings it is necessary to obligate up to $185M of already appropriated FY 1983 B-1B funds in FY 1983 for Economic Order Quantity (EOQ) buys. No additional funds are required, only the authority to use the Weapon System funds to initiate EOQ procurement. This action will in no way commit the Department to multiyear procurement of the B-1B. In the event our

FY 1984 multiyear request is denied the components procured can be fully utilized to support annual procurement of the B-1B.

IMPACT ON PRODUCTION COSTS

QUESTION: What would be the impact on B-1B production costs if this multiyear authority is deferred until FY 1984 but purchase of economic order quantities were permitted starting in FY 1983?

ANSWER: In order to preserve the Congressional prerogative to consider the B-1B multiyear procurement in the FY 1984 budget with the maximum achievable savings it is necessary to obligate up to $185M of already appropriated FY 1983 B-1B funds in FY 1983 for Economic Order Quantity (EOQ) buys. No additional funds are required, only the authority to use the Weapon System funds to initiate EOQ procurement. This action will in no way commit the Department to multiyear procurement of the B-1B. In the event our FY 1984 multiyear request is denied the components procured can be fully utilized to support annual procurement of the B-1B.

CONTRACT AWARD

QUESTION: Please identify each contract and indicate when they are scheduled to be awarded. Also include the latest date they could be awarded without eroding the projected multi-year cost savings.

ANSWER: The original dates projected for the award of B-1B multiyear contracts are listed below:

CONTRACT	DATE
Rockwell International	
EOQ Lots IV and V	May 83
Lot III (Annual contract)	Oct 83
Multiyear Lots IV and V	Oct 84
General Electric/Boeing/AIL	
EOQ Lot III	Apr/Apr/Jul 83
EOQ Lot IV and V	Oct 83
Multiyear Lots III, IV, and V	Feb 84

The projected savings of $800 million (FY 1981 $) was predicated upon the initiation of Economic Order Quantity (EOQ) purchases as shown above. While these savings potentially erode as the contractors are unable to let purchase orders for EOQ procurement, the Air Force currently feels the projected savings are intact and achievable. However, analysis has shown that without authority to initiate the proposed program by October 1983, the projected savings may suffer considerable degradation. By October 1983, it has been projected that half of the $1.2 billion (TY $) in savings could still be achieved.

KEEPING DOWN OVERALL PROGRAM COSTS

QUESTION: When it sought initial Congressional approval for B-1B production, the Department pledged to keep overall program costs at or below $20.5 billion, including anticipated multi-year contract savings. Are you still confident you can achieve that goal?

ANSWER: We are still confident that the program can be achieved within the $20.5 billion (FY 1981$) budget estimate. However, the risk has somewhat increased as a result of not obtaining approval to initiate Economic Order Quantity (EOQ) purchases starting in 1 April 1983.

If multiyear procurement and EOQ purchases were approved for a 1 October 1983 initiation, we forecast approximately half of the multiyear procurement savings may be lost.

The B-1B program is currently ahead of schedule and is experiencing favorable cost variances. If these trends continue, we should be able to bring this program in below currently projected costs. In addition, during the negotiations leading to contract award, we may find the forecasted multiyear savings were pessimistic.

In sum, with a potential loss of some of the estimated $800 million in multiyear procurement savings, we believe the risk of achieving the $20.5 billion budget estimate has increased.

FIXED PRICE INCENTIVE TYPE CONTRACTS

QUESTION: Don't you anticipate awarding fixed price incentive type contracts? How will you control total costs with that kind of contracting?

ANSWER: Rockwell International, Boeing, and AIL all proposed Fixed Price Incentive Firm (FPIF) target multiyear procurement contracts for the B-1B.

FPIF contracts work under the following principles. Below the target price, the government and the contractor share any savings achieved as a result of bringing the program in below cost. At target price, the contractor achieves his anticipated profit margin.

If the program costs breach the target price, the government and the contractor share the increased cost. The share ratio is derived during contract negotiations. After reaching ceiling, the contractor pays 100 percent of the cost overrun.

Thus, the contractor has incentive to reduce costs since his performance directly impacts his profit margin.

B-1 PROGRAM

QUESTION: We have been told repeatedly that the B-1 program is mature enough to permit reasonably accurate cost estimates. Why, then, can't the Air Force go with a firm fixed price contract approach?

ANSWER: The Air Force did not solicit firm fixed price proposals, because we believe most of the contractors would be extremely conservative and would grossly inflate their initial proposals to protect their corporate positions by including contingency pricing.

Fixed price incentive contracts provide adequate protection to both the Government and contractor in formalizing the sharing of risk associated with contingencies.

BASELINE PROGRAMS

QUESTION: Please specify by year the "baseline" programs the Air Force will finance for the $20.5 million in FY 1981 constant dollars and in then year dollars. Indicate how much of the program is allocated for engineering change orders.

ANSWER: The following funding profiles represent the B-1B program as described in the 1984 President's Budget:

TY$ in Millions

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
RDT&E*	219	471	754	750	492	367	71
Proc*	-	1612	4034	6180	7726	5660	-
ECO	2	72	165	173	378	218	-

FY 1981$ in Millions

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
RDT&E*	210	420	642	609	381	272	50
Proc*	-	1307	3107	4538	5296	3614	-
ECO	1	61	130	130	266	146	-

* The Engineering Change Order (ECO) amounts are included in the RDT&E and weapon system lines

BUDGET FOR ENGINEERING CHANGES AND MODIFICATIONS

QUESTION: What is the Air Force budgeting for engineering changes and modifications for the B-1B air frame, offensive and defensive avionics, and engines for FY 1987-90? (Details for the record.)

ANSWER: The B-1B baseline acquisition program contains no funding for engineering changes or modifications for FY 1987-1990. Similarly, the 1984 President's Budget requests no funding for the B-1B in either of the aforementioned categories during the years specified.

TARGET PRICES HIGHER

QUESTION: We are informed that target prices in the contract proposals you have now are 55.7% and 44.8% higher than the annual and multi-year estimates currently in the Air Force budget. Is that correct?

ANSWER: The contractor proposals submitted for B-1B multiyear procurement currently exceed the budget estimates contained in the B-1B justification exhibits submitted to Congress by approximately 40 percent. These proposals are, however, unnegotiated and contain numerous items that will not be included in the final signed multiyear procurement contracts. For example, the Air Force has received multiyear proposals that contain items such as logistics support and correction of deficiency clauses that will be removed from the multiyear contracts and be accomplished under separate contractual actions.

The Air Force is confident that the B-1B multiyear contracts will ultimately be negotiated and signed containing program content and costs that are in line with our original estimates that support the $20.5 billion budget estimate as expressed in constant FY 1981 dollars.

NEGOTIATE DOWN TARGET/CEILING PRICES

QUESTION: Briefly describe how you plan to negotiate down the target and ceiling prices of 50%. What specifically are you planning not to do that the contractors are proposing?

ANSWER: The Air Force intends to take the following steps to adjust the four associate contractor multiyear proposals in terms of both content and cost:

1. We asked the contractors to include logistics support within their proposals. We do not plan to include logistics support in the multiyear contract, but we did want the data for future negotiations.

2. We believe the contractors have exceeded the hardware requirements in some areas, such as special test equipment. We will be descoping the effort during fact-finding and negotiation because we believe the contractors' initial positions during fact-finding negotiation are, in some cases, overstated and can be scaled down.

3. The contractors included a management reserve for engineering change orders in their proposals. These portions of the proposal were neither solicited nor desired.

4. Since the contractor proposals were developed last fall, they used the older Department of Defense inflation rates. The rates were revised in January 1983 to reflect more realistic inflation indices.

5. We have maintained a record in the conduct of negotiations with the contractors on this program of reducing their initial proposals by 10 to 30 percent during contract negotiations.

MULTIYEAR CONTRACTS

QUESTION: You have stated to the Congress that multi-year contracts will be awarded only after the proposals have been fully negotiated and final, firm positions are established which support the budget. If you are unsuccessful in negotiating contracts that support your multi-year objectives, will you forego a multi-year contract from one or all of the associate contractors and execute single year contracts?

ANSWER: If we were unable to negotiate a favorable multiyear position, that option would not be executed until a favorable settlement could be achieved; for example, multiyear contract for later production lots. However, the proposals received to date, and our negotiation experience with these contractors, indicate that we will be able to negotiate a position satisfactory to both the contractor and to the government.

83 PROGRAM TO BE DEFERRED AND IMPACT

QUESTION: If the B-1B multiyear procurement is approved for 1983, I understand that the Air Force intends to reprogram some $185 million for the 1983 procurement program to pay for part of the multiyear advance procurement. What part of your 1983 program is going to be deferred and what will be the impact of that?

ANSWER: Because the B-1B Support Equipment Requirements Documentation (SERD) process did not progress as rapidly as initially anticipated, the parametrically derived FY 1983 procurement account for B-1B logistics support contained funds which could be used for other purposes. Therefore, the Program Director had the

option to accelerate the SERDs process or use those funds for other more pressing needs.

The Program Director opted to use the $185 million for Economic Order Quantity (EOQ) procurement of engine, defensive and offensive avionics, and airframe components. This action, if approved by the Congress, will allow the Air Force the opportunity to protect the maximum multiyear savings.

The impact to B-1B logistics support is minimal, and that account is now better aligned with the pace of the logistics development effort.

CT-39 LEASE PROGRAM

QUESTION: Staff informs me that answers to some of my questions on the CT-39 lease program are coming back, and that one implication is that a 20 year lease appears to be the best approach but that statutory limitation prevent you from contractually establishing the option. Is that correct?

ANSWER: The 1983 Continuing Resolution Authority (CRA) dated 20 December 1982, permits the Air Force to lease CT-39 replacement aircraft "to the same extent and manner as authorized for service contracts by section 2306(g), title 10, United States Code". Under this authority the CT-39 replacement lease period is limited to five (5) years with an additional three (3) year option, and the Air Force is not authorized to contractually establish a 20 year lease.

MODIFY CT-39 REQUEST

QUESTION: If permitted by law, would the Air Force modify its CT-39 request for proposal to seek an option for a 20 year lease?

ANSWER: The current CT-39 replacement Request For Proposal (RFP) is based upon the 1983 Continuing Resolution Authority (CRA) that authorizes a five (5) year lease with an additional three (3) year option. This RFP was issued on 30 March 83 with the contractors' responses due on 16 May 83. Contract award is scheduled for 8 Sep 83.

A twenty year lease authority would have advantages and disadvantages to the Air Force at this time.

On the advantage side, the Air Force cost analysis considering the total impact (i.e., tax breaks, etc) of leasing to the U. S. Treasury does indicate that leasing is economically beneficial over a twenty year period when using base year discounted dollars as a basis of comparison.

If the Air Force were authorized to lease for a 20 year period, this option and its economic benefits would be re-evaluted in depth to determine more exact cost benefits.

On the negative side a 20 year lease authority at this time would have several impacts. Firstly, the current source selection is well underway with the goal of contract award in FY 83. Introducing a 20 year lease would probably cause ongoing source selection to cease and require a completely new source selection program be initiated. This would be time-consuming and delay replacement of the old, fuel inefficient CT-39s with modern aircraft.

Secondly, a 20 year lease would prevent the Air Force from exercising the options at the 5 year point of: (1) continuing to lease same aircraft, (2) purchase the aircraft, or (3) lease completely new and different aircraft. These options allow the Air Force a great deal of flexibility and allows the fleet to be

modernized, if desired or required, at the lease termination point.

If the authority to lease for a 20 year period becomes law, the Air Force will weigh the advantages and disadvantages of the options available and make a determination that reflects the best interests of the Department of Defense and the U. S. Government at that time.

PURCHASE OF ARMORED SEDANS

QUESTION: (U) The Director of the Air Force budget and now the Deputy Director of the Air Force budget have written letters seeking authority to purchase eight armored sedans in FY 1983 in addition to the 16 currently on hand in Europe. Two of these additional sedans are to be assigned in the United States. What is so urgent about this request that it can not wait until the regular FY 1984 bill?

ANSWER: [Deleted.]

JUSTIFIED REQUIREMENT

QUESTION:(U) If this is a justified requirement, why hasn't the Air Force submitted a formal budget request before and, in particular, for FY 1983?

ANSWER: (U) The two armored sedans procured in FY 81 and the additional 15 cars in FY 82 were purchased using below threshold reprogramming authority to meet immediate emergency requirements. At the time the FY 83 President's Budget was prepared, the Air Force had no specific plan to buy additional armored vehicles. We subsequently reprogrammed funds to procure eight armored sedans in FY 83; however, procurement action has not been initiated pending Congressional approval.

GUIDANCE ON ARMOED SEDANS

QUESTION: (U) Since the Department of the Defense has not established any policy or guidance on the use and control of armored sedans, why should we approve your request?

ANSWER: (U) We expect Department of Defense policy and guidance on the use and control of armored sedans, which should be issued late this summer, to be congruent with current Air Force policy and guidance. Our expectations are based on regular, recurring coordination between the Security Policy Staff of the Principal Assistant Deputy Under Secretary of Defense for International Security Affairs and personnel of the Air Force Office of Antiterrorism. Where anomalies exist, the Air Force will comply with future DOD policy and guidance on

the subject. We do not foresee procurement of eight additional armored sedans with FY 83 funds as an obstacle to compliance.

SEEKING LANGUAGE

QUESTION: Why are you seeking language to purchase vehicles at a price up to $125,000 each when projected unit prices recently provided by the Air Force are less than $80,000?

ANSWER: Our intent is to request language identical to that approved for FY 83 Army procurements. In error, we cited language now included in our FY 84 budget request. The correct dollar threshold for FY 83 should reflect $100,000.

SPECIFIC THREAT

QUESTION: What specifically is the threat in the United States that justifies the purchase of armored sedans for officials below the cabinet officer level?

ANSWER: The Air Force does not intend to purchase armored sedans for officials below the cabinet officer level, or for any individual. Our primary reason for locating armored sedans in the continental United States (CONUS) is for the protection of distinguished foreign visitors.

During 1982, the Air Force Office of Special Investigations conducted a total of 333 protective services operations in CONUS, or about one operation a day last year. Of that total, 57 operations, or about one per week, were for a distinguished foreign visitor. The table below illustrates the frequency of CONUS protective services during the period from 1 Jan 78 to 31 Dec 82.

PROTECTIVE SERVICES OPERATIONS

CONUS

YEAR	FGN	US	TOTAL
CY 78	74	147	221
CY 79	38	120	158
CY 80	11	109	120
CY 81	19	150	169
CY 82	57	276	333
TOTAL:	199	802	1001
AVERAGE:	39.8	160.4	200.2

The vast majority of these CONUS operations, whether for a US citizen or a foreign

visitor, was conducted on the East Coast. The following table describes East Coast protective services for the same five year period.

SPECIFIC THREAT

PROTECTIVE SERVICES OPERATIONS

EAST COAST

YEAR	FGN	US	TOTAL
CY 78	36	78	114
CY 79	30	66	96
CY 80	10	56	66
CY 81	13	107	120
CY 82	50	220	270
TOTAL:	139	527	666
AVERAGE:	27.8	105.4	133.2

(U) Consequently, we intend to site two of the cars we plan to buy with FY 83 funds at Andrews AFB, MD. There, when not engaged in protective services for foreign visitors, they will be available to the Secretary of the Air Force and to the Air Force Chief and Vice Chief of Staff. However, these senior Air Force leaders each has his own staff car for routine, official use.

(U) There were 51 terrorist incidents in the United States in 1982, an increase of nine over the previous year. In addition, there were six more deaths and 22 more injuries than in 1981. To counter this growing problem, the FBI has added terrorism to its list of top priorities, along with white collar crime, organized crime and foreign counterintelligence, and has dedicated additional resources to this effort. The problem can be divided into two categories: foreign and domestic terrorism.

[Deleted.]

(U) Several US municipalities are currently seeking Congressional relief from the fiscal burden they sustain by affording extraordinary security for foreign visitors and diplomatic establishments within their jurisdictions. Similarly, the Air Force seeks enabling language to expend the funds necessary to provide extraordinary security, in the form of armored sedans, to those foreign distinguished visitors to this country for whom the Air Force is responsible.

(U) The threat posed by domestic terrorist groups in the United States is more difficult to quantify. Certainly it is less severe than that of the foreign variety. Nonetheless, it cannot be entirely ignored by the US Air Force which, as a highly visible symbol of US involvement in world

affairs, is an attractive and vulnerable target for terrorist attacks. [Deleted.]

WARRANTY FOR ENGINE

QUESTION: The engine for the B-1B will have the same hot section as GE's F101 derivative fighter engine, now called the F110, which is reported to have undergone through 5,000 cycles. GE is supposed to deliver the first production engine ahead of schedule in September 1983, with a total of 10 production engines scheduled for delivery by July 1985. What kind of warranty will the Air Force receive with this engine?

ANSWER: The warranty the Air Force has received from General Electric covers the first 35 production F101-GE-102 engines for the B-1B program and emphasizes product assurance of these assets. The warranty lasts for six years and includes 450 hours of total operating time. It motivates the contractor to ensure engine producibility and quality assurance from the outset to preclude premature failures of major engine components in the early years of operational ownership.

The maximum Air Force liability under this warranty is $8.5 million. This small investment protects us for three years against failure to the engine controls and accessories. Also, a performance retention guarantee covering engine thrust requirements was negotiated in this contract.

This extensive warranty is unprecedented for an initial buy of miliary aircraft engines. In addition, this warranty will provide significant protection to the government, motivate the contractor's performance, and enhance the bargaining position of the government in future purchase and warranty negotiations.

CHARTER PROGRAMS

QUESTION: What is the average term (number of years) of charter contracts for services and equipment currently obligated by the Military Sealift Command, the Military Airlift Command, and the Military Traffic Management Command? Similarly, what is the average cost per year for multi-year charter contracts?

ARMY ANSWER: The Military Traffic Management Command (MTMC) does not write multi-year contracts under Defense Acquisition Regulation (DAR) for transportation services. In lieu of awarding contracts, MTMC acquires transportation as follows:

a. For rail movements and movements of cargo by truck, Government Bills of Lading (GBLs) are used.

b. For movements of passengers, regardless of type of carrier, Government Transportation Requests (GTRs) are used.

c. Movement of cargo by ship is accomplished by writing shipping orders against contracts written by the Military Sealift Command.

Contracts written under the DAR require indepth price analysis and negotiations. Transportation is exempt from DAR procedure. GBLs

and GTRs are contracts of carriage for individual shipments or passenger movements. Prices are provided in the form of rate tenders or tariffs from which a carrier is selected based on the ability to provide the required service at the lowest cost to the Government.

NAVY ANSWER: The average term of time-charter contracts currently obligated by the Military Sealift Command is approximately 2.3 years. The average cost per ship per year for multi-year charter contracts is $11,300,000.

AIR FORCE ANSWER: For the Military Airlift Command, the average term for charter contracts for services is one year. There are no "multi-year" contracts. However, there are two contracts with options for continued services, which can be exercised without re-solicitation. The average yearly cost for these two contracts is $3,462,163.

QUESTION: Provide a listing of all multi-year or planned lease contracts to provide ships, aircraft or vehicles for operational support missions, excluding normal service leases for point-to-point transportation, facilities, and ADP equipment, in excess of $30 million total liability and for a period of three years or more.

NAVY ANSWER: A listing of all multi-year or planned lease contracts to provide ships for operational support missions--excluding normal service leases for point-to-point transportation, facilities, and ADP equipement--in excess of $30 million total liability and for a period of three years or more, is as follows:

Ship	Period	Cost
M/V Lyra	5 years (27 May 1981 to 26 May 1986)	Charter Hire $67,740,700 Reimbursables $33,345,086 Total $101,085,786
T-AKX 13 ships	5 years (after delivery)	General Dynamics 5 ships $621,550,000 Maersk Line 5 ships $722,859,000 Waterman Steamship Corp. 3 ships $343,400,000

AIR FORCE ANSWER: For vehicles or vessels there are no such contracts. For aircraft, we are currently in source selection to lease, with subsequent purchase, three aircraft to replace the Special Air Mission C-140Bs. We are also in the solicitation phase to lease 120 replacement aircraft for our Operational Support Aircraft fleet of 120 CT-39s.

Build and Charter Programs

Question: Last year, the Navy entered into long term charter contracts for T-AKX roll-on, roll-off vessels and T-5 tankers. Similarly, there are plans for long term leases of CT-39 type aircraft. The common thread in each program is that the government has been obligated for long term commitments, yet no specific

budget authority has been requested. What is the total termination liability attendant to these program obligations?

Answer: In FY 1982, the Navy had contracted only for six TAKX ships. The T-5 tankers were not contracted until FY 1983. At the end of FY 1982, Navy had obligated $660 million to cover the 6-ship TAKX liability. So far in FY1983, the Navy has contracted for 5 T-5 tankers and an additional 7 TAKX ships. The termination liability obligated as of this date is $1.4 billion for the 13 TAKX ships and $72 million for the T-5 tankers. This obligation is the liability under the Agreement to Charter portion of the contracts.

Question: In the case of the TAKX and T-5 vessels, the Navy has used the unobligated balances of the industrial fund to cover potential termination liability. What is the projected end-of-FY 1983 unobligated balance of the industrial fund and the termination liabilities from these two programs?

Answer: At the end of FY 1983, it is expected the industrial fund unobligated balance will be about $300 million and the obligated termination liability will be $1.4 billion for the TAKX ships and $30 million for the T-5 tankers. The current T-5 obligation of $72 million is actually overstating the termination liability (see next answer).

Question: What is the extent of termination liability from the TAKX and T-5 programs in FT 1983-1987 for each fiscal year and explain the rationale used to define the extent of liability.

Answer: The termination liability for the TAKX and T-5 programs is expected to be as follows (end of fiscal year) ($ in billions):

	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
TAKX Ships	1.415	1.373	1.247	1.212	1.212
T-5 Tankers	.030	.030	.030	.030	.030

The termination liability recorded (and to be recorded over the life of the programs) are based on COMPTGEN Decision (File B - 174839) of 28 January 1983. Under the Agreement to Charter portion of the contracts, that is prior to acceptance for service, Navy will record the "maximum potential liability prior to acceptance of the TAKX vessels." Under the Charter Party, that is after acceptance for service, Navy will record, on a ship-by-ship basis, the "lease costs for the 5-year base period, plus termination costs after that time." The $1.4 billion for the TAKX program in FY 1983 represents the contractor investment in the ships (ranges $166 million to $192 million with an average about $180 million) offset by the residual value at acceptance (assumed to be about $70 million per ship based upon a MARAD appraisal). The termination liability reduces after FY 1983 because of a change to the termination horizon as each ship comes under the Charter Party. Similarly, the T-5 tanker program is initially determined to be $30 million based on a contractor investment of $66 million per ship offset by assumed residual value of $60 million per ship at the time of acceptance, based upon a MARAD appraisal.

The actual termination liability during the construction/reconstruction period -- prior to the ships being accepted for service -- will, until the end of the period, be less than the amount required booked relating to the Agreement to Charter. This actual termination liability will only be the actual obligations incurred to the time of termination. While this amount is difficult to ascertain, it is estimated that the amount will be $415 million at the end of FY 1983, and that no more than $800 million will be added in FY 1984 and about $200 million added in FY 1985.

QUESTIONS SUBMITTED BY SENATOR ANDREWS

PERSHING II REACTION CONTROL SYSTEM

QUESTION: There have been problems with the reaction control system and the hydraulics system on test flights of the Pershing II. Have failures in these systems been corrected to the Army's satisfaction?

ANSWER: Yes, they have been corrected. The problem with the reaction control system and the re-entry vehicle hydraulic system occurred during the second test on November 19, 1982. These problems were corrected by minor design changes and the systems have performed in a completely successful fashion on the last eight flights. Therefore, we feel confident that these problems have been corrected.

COST OF U.S. FORCES IN EUROPE

Senator Mark Andrews: When might we expect to receive a valid cost estimate of our NATO commitment for FY 1984?

(The information follows:)

TABLE 1

DIRECT COST OF FORCES DEPLOYED IN EUROPE
($M)

	FISCAL YEAR 1984				
	PROC	MILCON	MILPERS	O&M	TOTAL
Force Operations & Support 1/	855	-	5451	4823	11129
Management Headquarters 2/	-	-	89	87	176
Military Construction/Family Housing	-	1345	-	-	1345
DoD Dependent Schools	-	-	-	308	308
Direct Cost of Deployed Forces	855	1345	5540	5218	12958

1/ Covers the operation of European deployed combat units and supporting units. Includes replenishment spares, POL, supplies, pay, and other training and support costs for operating units and bases. Repair and maintenance of real property, maintenance of POMCUS stocks, and first and second destination transportation costs are included in base operating costs along with the cost of fuel, supplies and other personnel support costs.

2/ Covers the operation of USAFE, USAREUR, and USEUCOM Headquarters

TABLE 2

TOTAL DOD BUDGET, AND TOTAL ALLOCATED COST
OF GENERAL PURPOSE FORCES
($M)

	FISCAL YEAR 1984				
	PROC	MILCON	MILPERS	O&M	TOTAL
Total Allocated Cost of General Purpose Forces 1/	75101	3639	38218	54409	171367
Total DoD	123735	8809	64733	76801	274078

1/ Includes, in addition to the direct cost of combat forces, an allocated share of the cost of new equipment, a proportionate share of U.S. based training and logistics support, RDT&E and DoD administration.

TABLE 3

ADDITIONAL COST OF OPERATING
ARMY AND AIR FORCE 1/ UNITS
IN EUROPE

	FY84 ($M)
Permanent Change of Station: Added cost of rotating people to Europe over and above the cost of a similiar number of CONUS rotations.	899
Transportation Extra cost of transporting supplies to Europe when compared to CONUS costs.	932
Family Housing/Quarters: Cost of providing shelter in Europe that would not be incurred in CONUS.	458
Dependent Education: Cost of operating DoD Dependent Schools in Europe.	308
Overseas Allowances: Cost of paying cost of living allowances authorized in Europe.	50
Medical Care: Savings incurred because medical care and facilities in Europe are less extensive than in the CONUS	-241
Civilian Pay: Savings incurred because European Nationals are less expensive than U.S. civilians in CONUS	-364
Total	2,042

1/ U.S. Navy costs were excluded because they are in support of forces afloat and, for that reason, differential costs are difficult to isolate.

Information on the cost of Army and Air Force units deployed in Europe follows. Navy costs are excluded because they are in support of forces afloat and, for that reason, are particularly difficult to attribute to specific theaters. Tables 1 and 2 display the direct cost of forces deployed in Europe and compares that to the total cost of all U.S. general purpose forces and to the total DoD Budget for FY 84.

The cost of operating U.S. Army and Air Force units in Europe is somewhat higher than operating those same units in the CONUS. These extra costs are incurred because the transportation costs of people and material are higher, because extra personnel support costs are incurred for Dependents Education and Cost-of-Living allowances, and because Government quarters are provided for a larger percentage of our people overseas than in CONUS. These costs are included in the figures shown in Tables 1 and 2 but are broken out separately in Table 3.

It is important to recognize that the costs shown in Table 3 address operating costs only. If a sizable portion of our force were withdrawn from Europe and retained on active duty in CONUS, we would reduce operating costs but incur additional costs associated with refurbishing or constructing new facilities. And if we intend to maintain the capability to defend against aggression by the Warsaw Pact, additional mobility forces would have to be purchased to transport these troops back to Europe in an emergency. Estimates of the total cost differential for selected units are presented in another study entitled "Cost of Withdrawing U.S. Forces from Europe" forwarded to the Committee on September 24, 1982. All of the options in that analysis calling for retaining withdrawn forces on active duty would require net increases in total obligational authority (TOA) during FY 1984-88.

CONCLUSION OF HEARING

Senator STEVENS. That concludes the hearing. The subcommittee will recess subject to the call of the Chair.

[Whereupon, at 4:35 p.m., Wednesday, May 4, the hearing was concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

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